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WHAT DO THE 25 LARGEST OIL COMPANIES HAVE TO SAY ABOUT GASOLINE MARKETING IN 1983?

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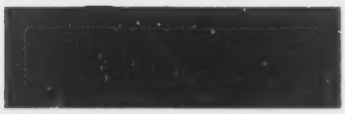


If the gasoline market were a jungle, the oil companies would be the monkeys. In 1982, the amount of gasoline sold in the United States declined to 101.8 billion gallons, from 103 billion gallons in 1981. It was the fourth consecutive year that consumption declined. American fleet mileage per gallon is still only about 30% of the highest m.p.g. of new cars. The jungle is shrinking; the monkeys are getting pressed for space.

As usual, we have compiled what the twenty-five largest oil companies have to say about gasoline marketing in 1982. In addition, we have added what they have said about gasoline marketing in their first and second quarter reports for 1983.

Our special features include a contribution by Dan Lundberg of *The Lundberg Letter*, and a section on gasoline sales at small food store outlets.

Our situation report, by Sally Roscoe, follows the charts and tables on consumption, refining capacity, and trends in automotive gasoline demands. Ned Roscoe then submits *Art in the Jungle* as an examination of what the good is in gasoline marketing. John Roscoe concludes our survey with some answers to "What Makes Sense in Gasoline Marketing?"

Oil company annual reports are impressive. They are generally thick publications, well written, printed on quality paper, and full of impressive photography. There is, however, a striking similarity among reports. One might even conclude that they are the product of a single company that specializes in this type of publication. At the least, the production staffs must read the reports and copy the formats of the other companies. In these annual reports, the photographs pinpoint the items that management considers important to the oil industry. Most of the photographs are of offshore oil platforms, oil tankers, petrochemical plants, refineries, and oil piping in general. This year the reports all mention oil processing improvements, exploration successes, technological change, energy security, and optimism for the future of the company.

	1980	1981	1982
Sales	$110,190,644,000	$114,922,561,000	$103,558,545,000
Earnings	5,350,070,000	4,826,215,000	4,185,932,000
Number of Employees	177,000	180,000	173,000
Return on Average Shareholder's Equity	21.8%	17.8%	14.9%
United States Motor Gasoline Sales as a Percentage of Exxon Worldwide Sales (by Barrels)	11.0%	10.4%	11.1%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	3	2	8
Refineries	1	3	1
U.S. Gasoline Pumps	None	1	None
Gasoline Station Employees	None	None	None
Coal Mines	None	1	1
Corporate Citizenship	3	None	1
Background of Chief Executive	Chemical Engineering	Chemical Engineering	Chemical Engineering
Percentage of Company Stock Owned by Corporate Officers and Directors	1/10 of 1%	1/10 of 1%	1/10 of 1%
Number of Pages in Annual Report	52	52	44
Number of Pages Devoted to Gasoline Marketing	1/4 page	2/3 page	3/4 page

Number of Exxon Gasoline Stations in the United States:

12-31-82	20,600
12-31-81	20,585
12-31-80	22,886
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

Refining and Marketing

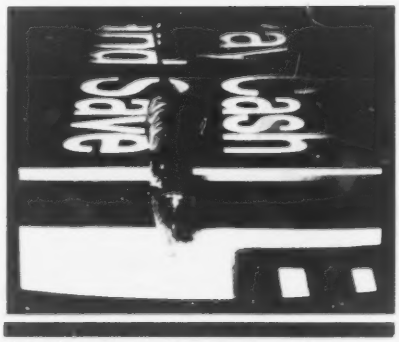
Business Profile — Refining and Marketing	1981	1982
	millions of dollars	
Earnings		
United States	87	457
Foreign	1,021	668
Total	1,108	1,125
Average capital employed		
United States	2,507	2,659
Foreign	8,187	7,452
Total	10,694	10,111
Capital expenditures		
United States	478	606
Foreign	1,066	959
Total	1,544	1,565
Research and development costs	110	118
	percent	
Return on average capital employed		
United States	3.5	17.2
Foreign	12.5	9.0
Total	10.4	11.1
	thousands of barrels daily	
Petroleum product sales		
United States	1,295	1,174
Foreign	3,306	3,136
Total	4,601	4,310
Refinery crude oil runs		
United States	1,111	989
Foreign	2,767	2,493
Total	3,878	3,482

Sales volumes depressed by declining demand. Drawdown of inventory helped earnings.

Exxon's lower refinery runs and product sales reflected the general weakness in worldwide markets. The earnings impact of the sales decline was cushioned by profits realized from the sale of crude oil and product inventories built in earlier years at relatively low cost. With lower demand the company needed less inventory to maintain the number of days of supply coverage historically required.

Inventory reductions were a key factor in the improvement of U.S. refining and marketing earnings. U.S. motor gasoline sales increased modestly, but there was a significant decrease in sales of lower-value heavy fuel oil. Results in Europe were disappointing because product margins were severely depressed by continued weak demand, surplus capacity and high crude oil costs. The strengthening of the U.S. dollar hurt the results of European and Far Eastern affiliates, which pay for crude oil in dollars but sell products in local currencies.

Page 10



Underlining a message, the Exxon Tiger stalks the competition in a television commercial which helped introduce Exxon USA's discount for cash program. A majority of the company's U.S. dealers are participating in the program, which enables them to offer discounts to gasoline or diesel fuel customers who choose to pay cash.

Page 4

Marketing of Petroleum Products

The principal refined products manufactured and marketed by Standard are gasolines, motor oils and greases, jet fuels, diesel fuels, heating oils and kerosenes, asphalts and industrial oils, and lubricants. Motor gasolines, diesel fuels, heating oils, and motor oils are sold under various brand names and trade names, the principal ones of which include the words AMERICAN, AMOCO, LDO, PERMALUBE and in the midwestern states, STANDARD. Tires, batteries, and accessories are sold primarily under the ATLAS brand name. Standard also sells large quantities of liquefied petroleum gas and natural gas.

In the United States, Standard's marketing of petroleum products is concentrated in the Midwest, East, and Southeast. It supplies about 17,800 gasoline retail outlets, of which 5,200 are either owned or leased. Except for a few outlets, all are operated by independent dealers. Many of Standard's service stations have self-service or mini-service islands, and most outlets offer two grades of lead free gasoline in addition to leaded regular gasoline.

During 1982, Standard implemented a "Discount for Cash" program to appeal to the growing cash-purchase segment of the gasoline market. Standard also completed the previously announced withdrawal from branded dealer and jobber sales of gasoline and distillates in 11 states during 1982.

Excerpt from 10K, Marketing, page 8

Excerpt from the Annual Report of Exxon Corporation, December 31, 1982

Upgrading of retail chain continued.	The company began a phased program to upgrade the worldwide chain with a new retail identification design system. At year end, approximately 2,000 retail outlets reflected the new design, which projects a cleaner, more efficient look. Exxon reduced its worldwide total of service stations by some 3,000 to just under 56,000 as it continued to eliminate relatively low-volume stations from its chain.
Exxon USA began discount for cash program.	After a pilot test in four U.S. markets, the company launched a nationwide program in August which encouraged its dealers to offer price discounts averaging about 4 cents a gallon to customers who choose to pay cash for their gasoline or diesel fuel instead of using their Exxon credit cards. A majority of U.S. dealers are participating in the program.

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	1980	1981	1982
Sales	$27,831,862,000	$31,729,171,000	$29,783,000,000
Earnings	1,915,314,000	1,921,800,000	1,826,000,000
Number of Employees	56,401	58,665	57,810
Return on Average Shareholder's Equity	21.6%	19.2%	16.5%
United States Motor Gasoline Sales as a Percentage of Amoco Worldwide Sales (by Barrels)	43.2%	46.8%	46.5%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	1	3	4
On Shore Oil Rigs	—	2	5
Refineries	1	1	1
U.S. Gasoline Pumps	None	1	1
Gasoline Station Employees	None	None	None
Coal Mines	None	1	3
Corporate Citizenship	1	None	1
Research	—	1	1
Background of Chief Executive	Chemical Engineering	Chemical Engineering	Chemical Engineering
Percentage of Company Stock Owned by Corporate Officers and Directors	59/100th of 1%	65/100th of 1%	N/A
Number of Pages in Annual Report	56	53	52
Number of Pages Devoted to Gasoline Marketing	1-1/2	2	1

Number of Amoco Gasoline Stations in the United States:

12-31-82	17,800
12-31-81	20,100
12-31-80	21,300
12-31-79	21,500
12-31-76	24,800
12-31-71	N/A

We streamlined our domestic petroleum marketing operations, withdrawing from branded marketing in 11 states in 1982 where our results were not satisfactory. The withdrawal affected 5 per cent of our sales. Nonetheless, we were able to increase U.S. sales volumes in 1982 by 3 per cent.

Page 2

Left: We extended our Discount for Cash program system-wide to attract customers who prefer to buy gasoline on a cash basis. We also introduced credit card programs with more user benefits.

Right: We began test marketing Amoco Ultimate, an all-synthetic motor oil that keeps engines cleaner, allows longer intervals between changes, and performs well in both hot and cold weather conditions.

Marketing, Manufacturing, and Transportation

Worldwide refined petroleum products sales increased about 1 per cent in 1982, to an average of 1,024,000 barrels per day. During 1982, our refinery utilization rate increased by three percentage points to 72 per cent, and earnings improved to $40 million, compared to a loss of $295 million in 1981.

Improved product margins through the third quarter of the year, and a reduction in operating costs, were the primary sources of our profit improvement in 1982.

United States

(Millions of dollars)	**1982**	1981
Capital expenditures	**$ 462**	$ 473
Identifiable assets	**3,989**	3,878
Segment revenues	**18,084**	19,876
Net income	**113**	(140)
Net income as a % of:		
Identifiable assets	**2.8%**	(–)
Segment revenues	**0.6%**	(–)

Marketing: In line with our strategy of consolidating operations into geographic areas of strength, we completed withdrawal from branded dealer and jobber sales of gasoline and distillates in 11 states in early autumn. As a result of this and other actions, we have significantly improved marketing efficiency. Barrels of refined products sold per marketing employee increased from 133 per day in 1972 to 232 in 1982, and we moved from third to second place in service station sales of gasoline.

A Discount for Cash program was introduced system-wide in 1982 to appeal to the growing cash-purchase segment of the market. Results have been encouraging. We also introduced several new credit card programs in 1982 to attract customers who prefer the convenience of buying our products on credit. Amoco's new MultiCard may be used for purchases at our service stations, and provides the user with charge privileges and discounts at motels, restaurants, and car rental firms. A fee is charged for the MultiCard.

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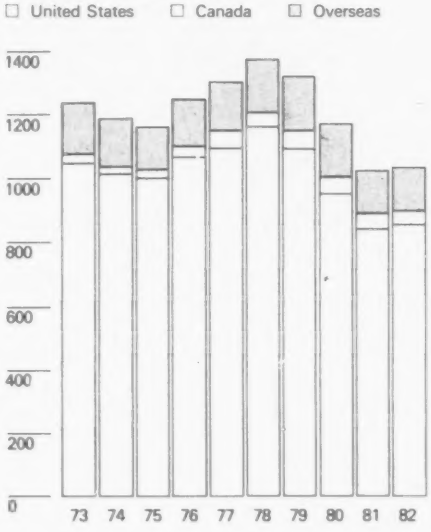
We began test marketing Amoco Ultimate, a new, all-synthetic motor oil which will be marketed nationwide in 1983 if current tests are successful. Use of the oil results in low consumption, easier cold-weather starts, and exceptional engine cleanliness.

Refined Product Sales
in thousands of barrels daily



Standard Oil Company (Indiana)
and Amoco Subsidiaries
200 East Randolph Drive
Chicago, Illinois 60601

Corporate Media Relations
Public and Government Affairs
312-856-6613

May 18, 1983

John F. Roscoe
Gasoline Marketing Survey
P.O. Box 886
Benicia, Calif. 94510

Dear Mr. Roscoe:

This is in response to your letter of May 3 to S. G. Van Sickle. I have enclosed documents describing our gasoline marketing operations that I hope will aid you in preparing your survey. Please feel free to contact me if you need more information.

Sincerely,

Jim Fair

C. J. Fair
Sr. Media Relations Representative
3707

CJF

Standard Oil Company (Indiana)
and Amoco Subsidiaries
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For immediate release

HARTFORD, Conn. (April 28) -- The initial signs of an economic upturn in the United States are encouraging and there should be real recovery by later this year, according to Walter R. Peirson, executive vice president of Standard Oil Company (Indiana).

"General economic recovery can only help to stimulate oil consumption to some degree," Peirson told the Hartford Society of Financial Analysts, "and this in turn will relieve some of the overproduction and price pressures we have seen in recent months."

Peirson was joined in his presentation by H. Laurance Fuller, also an executive vice president of Standard. Fuller discussed actions taken by the company to improve its domestic refining, marketing, and transportation operations.

"During the past two years, we have closed three refineries that represented 18 per cent of our U.S. crude running capacity," Fuller said. "This reduction helped improve our operating rate for 1982 to 74.4 per cent, higher than the industry's average of 67.9 per cent."

- more -

Fuller said that the company has seven domestic refineries. Four are stand-alone units integrated with their sources of supply and the markets they serve. The remaining three -- at Whiting, Indiana; Texas City, Texas; and Yorktown, Virginia -- are linked by an extensive distribution network and together provide a crude-running capacity of 850,000 barrels per day.

"A major program is currently in progress to upgrade this integrated refining system," Fuller said. "It will be completed by the end of 1984 and will enable us to increase the yield of light products from a higher-sulfur, lower-cost mix of crude oils. It will also eliminate residual fuel oil production at Texas City."

In his discussion of marketing, Fuller noted that the company has withdrawn from 11 states and now markets in 33 states that the company's system can effectively serve and where Standard has competitive strengths.

"In spite of this withdrawal, our marketing efforts resulted in a 1982 increase of 3 per cent in the volume of refined products sold," Fuller said. "This was achieved even though we had fewer service stations and domestic industry demand was down 5 per cent.

"Our emphasis is on gasoline marketing in metropolitan areas, and we rank first or second in market share in 70 per cent

of those metro areas we serve," Fuller continued. "Our objective is to increase station throughput by building pumper facilities and selectively abandoning locations of low profit potential.

"The number of dealer-operated service stations dropped from 9,000 at the end of 1977 to 6,100 at the end of 1982," he said. "This strategy enabled us to increase average volume per station 45 per cent from 460,000 to 670,000 gallons per year. In addition to our direct-supplied dealer outlets, our jobbers operated 11,700 other branded stations at the close of 1982."

Fuller also mentioned the company's successful implementation of its national Discount for Cash program, as well as efforts to increase the number of credit card holders.

"We believe these steps helped to increase our motorist gasoline market share from 7.3 per cent in 1981 to 7.4 per cent in 1982 while total U.S. gasoline demand declined by 1.2 per cent," Fuller concluded.

#

April 28, 1983

[redacted]

	1980	1981	1982
Sales	$19,959,000,000	$21,739,000,000	$20,214,000,000
Earnings	1,543,000,000	1,701,000,000	1,605,000,000
Number of Employees	36,596	37,273	36,504
Return on Average Shareholder's Equity	22%	21%	17.4%
United States Motor Gasoline Sales as a Percentage of Shell Worldwide Sales (by Barrels)	57.2%	56.9%	57.0%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	1	2	1
On Shore Oil Rigs	—	—	2
Refineries	1	4	None
U.S. Gasoline Pumps	2	1	None
Gasoline Station Employees	None	1	None
Coal Mines	2	2	None
Corporate Citizenship	3	0	None
Research	—	3	1
Background of Chief Executive	Geologist	Geologist	Geologist
Percentage of Company Stock Owned by Corporate Officers and Directors	27/100th of 1%	34/100th of 1%	32/100th of 1%
Number of Pages in Annual Report	60	67	60
Number of Pages Devoted to Gasoline Marketing	3	5	1-1/3

Number of Shell Gasoline Stations in the United States:

12-31-82	13,300
12-31-81	13,700
12-31-80	15,400
12-31-79	16,500
12-31-76	19,200
12-31-71	N/A

Retail position enhanced — We maintained a leading position in gasoline marketing and our market share rose significantly after a decline in 1981. Sales at service stations supplied directly by Shell averaged 68,500 gallons a month, an 11 percent increase. We continued to eliminate uneconomical stations and add high-volume, gasoline-only stations in major markets.

We have long recognized the importance of innovative consumer-oriented marketing programs, and dedication to good service, in building and maintaining customer loyalty. This is especially important in highly competitive markets such as today's. Therefore, we made a major effort in 1982 to attract credit card customers, adding more than 2 million new accounts by the end of the year. In the key program of this campaign, we encouraged holders of other oil company credit cards to present them for purchases at Shell stations and apply for a Shell card at the same time. We also suggested that dealers sell gasoline for the same price, cash or credit. The program was cost-competitive because of our efficient retail and credit card processing operations.

Page 5

Maintain our Oil Products business among the most efficient and profitable in the industry, able to prosper in times of shortage or surplus and to generate cash for other parts of our business.

Cost competitiveness is the key to achieving this objective. We will continue our efforts to reduce costs and improve the yield of light, higher-value products from lower quality crudes. These efforts include further reduction of energy usage in our manufacturing plants, and oil processing improvements such as those we are making in California.

We also will continue to streamline marketing facilities, concentrating on high-volume service stations in those metropolitan markets where we are logistically able to compete best. In support of this effort, we are developing an automated system for lowering the cost of processing credit transactions.

With our retail restructuring of the past several years nearly complete, we expect to maintain a leading share of the gasoline market over the long term.

We think our Oil Products return on investment will continue well above the average of our major competitors. We believe that for the period 1977-82, Shell Oil had the highest aggregate profits in this segment in the domestic industry. During this period, Oil Products' cash income after tax exceeded capital outlays of $1.9 billion by almost $1 billion, including about $200 million from sales of assets.

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Using automation to reduce the costs of gasoline

The way many Shell service stations do business is heading for an important change. Shell is moving toward the automation of all credit and debit card transactions as a way to hold down costs and deliver gasoline more efficiently to the public.

A few years from now, it should be possible to drive into a Shell station and buy gasoline by inserting your Shell credit card or bank debit card into an electronic terminal at the pump. The terminal will instantaneously search a computer to make sure the card is valid before activating the pump. When the transaction is completed, the terminal will give you a printed receipt. Meanwhile, the computer will have entered the transaction onto your account records for later billing or, in the case of a bank debit card, directly debit your bank account at the time of sale.

Advantages

From the gasoline-buying public's viewpoint, this system will offer greater speed and convenience (no more waits for the station attendant to fill out a credit slip and check whether your card is valid).

From Shell's viewpoint, the objective is to reduce transaction costs through automation in support of our strategy of maintaining our Oil Products business among the most cost-efficient and profitable in the industry. We have worked hard at reducing all Oil Products costs. This is another step in that direction.

Development of this system also ties into our credit card strategy. At a time when many other oil companies are discouraging credit card use, Shell has added more than 2 million new cardholders through campaigns encouraging applications. We have been in a position to do that because of the expectation that automation will reduce our transaction processing costs.

Where We Stand

Three basic steps are required to facilitate the creation of an automated system:

- a switch to descriptive billing on monthly credit card statements, rather than returning individual receipts;
- the addition of magnetic stripes to credit cards, allowing the cards to be read electronically; and
- development of appropriate hardware and software, including a computer terminal that specifically fits the needs of gasoline retailing.

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Marketing

Shell distributes oil products principally under the "Shell" symbol or other trademarks in which the word "Shell" appears. Oil marketing operations are carried out through transportation systems, terminals, bulk distributing plants and, at the end of 1982, approximately 13,300 service stations displaying Shell trademarks.

Excerpt from 10K, Marketing, page 5

Excerpt from the Annual Report of Shell Oil Company, December 31, 1982

We converted to descriptive billing and completed the issue of magnetically-striped Shell credit cards in 1982. We continue actively experimenting with various hardware and software and developing the required communications network to link service stations electronically with our credit card center.

Page 20

The development of an automated credit card system has become feasible following rapid advances in computer and electronic communications technologies during the past several years. We plan to apply state-of-the-art technologies on a major scale to create one of the first nationwide electronic credit networks in any U.S. retailing industry.

Shell continued to modernize and consolidate its retail service station network, focusing on areas of logistical and marketing strength. Shell remains committed to this strategy to assure its position as one of the most efficient and profitable marketers.

Refined Product Sales Volumes — Shell's automotive gasoline sales dropped 2 percent in 1982 and 11 percent in 1981 from previous years. However, this decline in demand showed signs of leveling off or reversing for Shell, as volumes in each of the last three quarters of 1982 were higher than in the same 1981 periods.

Gasoline remained Shell's dominant product, constituting 57 percent of total refined product sales volume for the third consecutive year. Demand for unleaded gasoline continued to increase, accounting for 59 percent of Shell's total gasoline sales in 1982, compared to 56 percent in 1981 and 50 percent in 1980.

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Shell Oil Company

One Shell Plaza
P. O. Box 2463
Houston, Texas 77001

W. J. Bittles, Jr.
Vice President Retail Sales

May 26, 1983

Mr. John F. Roscoe
Gasoline Marketing Survey
P.O. Box 886
Benicia, CA 94510

Dear Mr. Roscoe:

Please find attached a copy of Shell's Annual Report which includes comments about marketing.

Very truly yours,

Attachment

[redacted]

	1980	1981	1982
Sales	$28,808,000,000	$30,461,000,000	$30,630,000,000
Earnings	1,407,000,000	1,231,000,000	900,000,000
Number of Employees	58,900	58,500	51,500
Return on Average Shareholder's Equity	15.3%	12.5%	9.1%
United States Motor Gasoline Sales as a Percentage of Gulf Worldwide Sales (by Barrels)	30.7%	33.5%	33.4%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	2	4	6
On Shore Oil Rigs	—	6	3
Refineries	3	3	4
U.S. Gasoline Pumps	None	1 (cover)	3
Gasoline Station Employees	None	None	None
Coal Mines	None	2	1
Corporate Citizenship	None	None	3
Research	—	2	1
Background of Chief Executive	Chemical Engineering	Chemical Engineering	Chemical Engineering
Percentage of Company Stock Owned by Corporate Officers and Directors	62/100th of 1%	56/100th of 1%	66/100th of 1%
Number of Pages in Annual Report	60	61	52
Number of Pages Devoted to Gasoline Marketing	1	3	2-1/3

Number of Gulf Gasoline Stations in the United States:

12-31-82	14,967
12-31-81	15,277
12-31-80	16,055
12-31-79	17,182
12-31-76	N/A
12-31-71	N/A

[redacted]

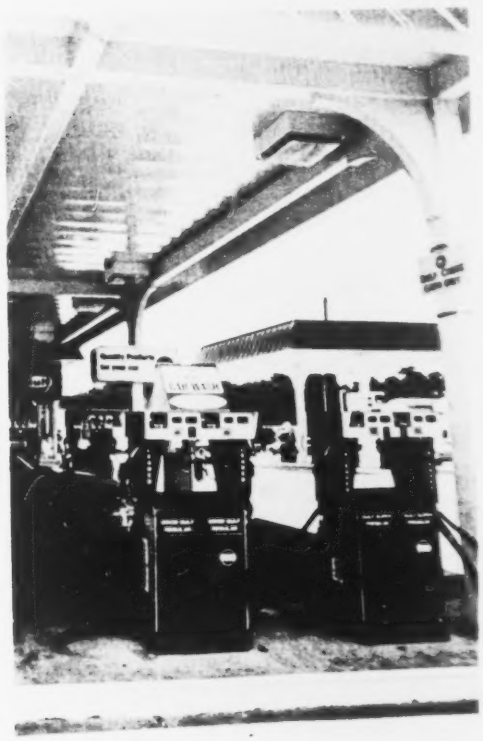
In 1982, the Company sold refined products primarily in the retail, industrial and commercial and jobber markets. Detailed information concerning the Company's sales by product appears on page 48 of the 1982 Annual Report.

The Company's principal refined product sales in the U.S. are gasoline and distillates. These products are subject to seasonal demands and, typically, gasoline sales are moderately higher in the summer and fall. Home heating oil sales peak in the winter and are further influenced by the severity of the weather.

Approximately 15,000 service stations carry the Company's products in the U.S. of which about 95 percent are operated by independent dealers or jobbers with the remaining 5 percent Company operated. These service stations, concentrated primarily in the eastern and southern areas of the U.S., represent about 7 percent of the total number of service stations in the U.S. The Company, rather than jobbers, currently delivers to 5,400 of these service stations. The Company has long range plans to reduce the number of stations it directly serves to approximately 2,000. It is not anticipated that total retail sales will be significantly affected by this action. No single competitor or small group of competitors dominates the U.S. retail gasoline market.

Excerpt from 10K, Refining, Marketing, & Transportation, pages 6 and 7

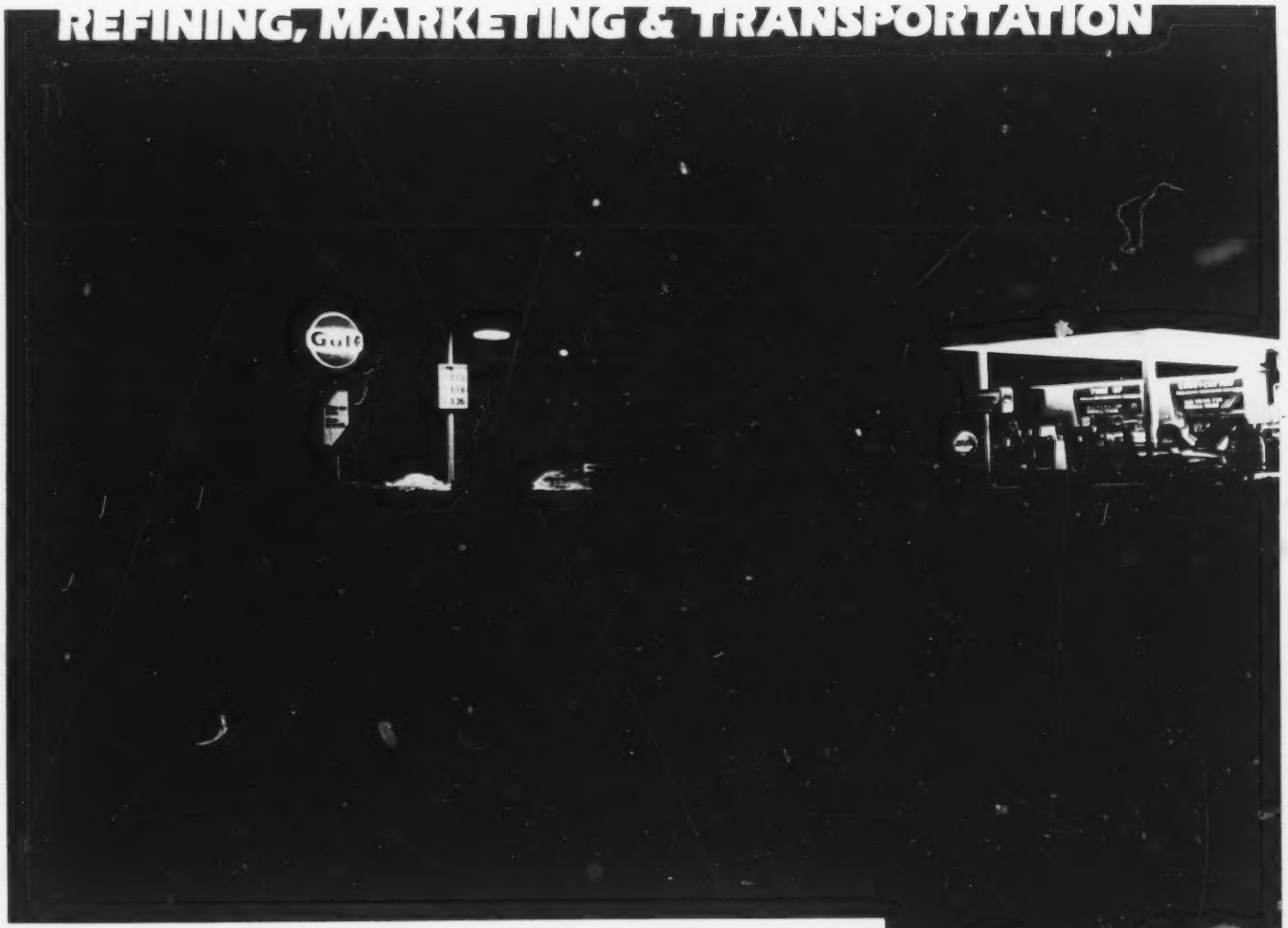
The photos below symbolize three of Gulf's major strategic goals: (1) the search for new domestic petroleum reserves, (2) improving the Company's marketing image and profitability, and (3) developing alternate energy resources, such as coal.



Our second goal for Gulf has been to regain our position as a top U.S. marketing company with quality products and services which can be sold at a profit. To compete effectively in a marketplace where gasoline prices have tumbled 30 cents a gallon in two years, we must reduce costs and improve our ability to respond quickly to changing market trends.

Real progress was accomplished in 1982 as we brought on the largest element of a $500-million refinery improvement program—a 170,000-barrel-per-day sour crude unit at Port Arthur, Texas. With additional hardware improvements coming on this year, Gulf will have the flexibility to utilize the much cheaper crudes available, reducing our dependence on high-cost, light-sweet oil which historically has hurt earnings. In addition, an extensive program was launched to identify and eliminate marginal marketing outlets while building in areas where we are strong, particularly in the metropolitan south. By spreading current volumes over fewer stations, we hope to save at least $100 million a year within five years. Most of this program will be implemented in 1983.

REFINING, MARKETING & TRANSPORTATION



For the third consecutive year, 1982 brought declining demand for refined products in the United States and Europe. With excess supplies and underutilized refining and marketing capacity came increased competition and lower prices. In the U.S., average gasoline prices tumbled 14 cents per gallon between January 1 and December 31, while an unseasonably warm winter caused heating oil prices to fall by 20 cents per gallon in the fourth quarter.

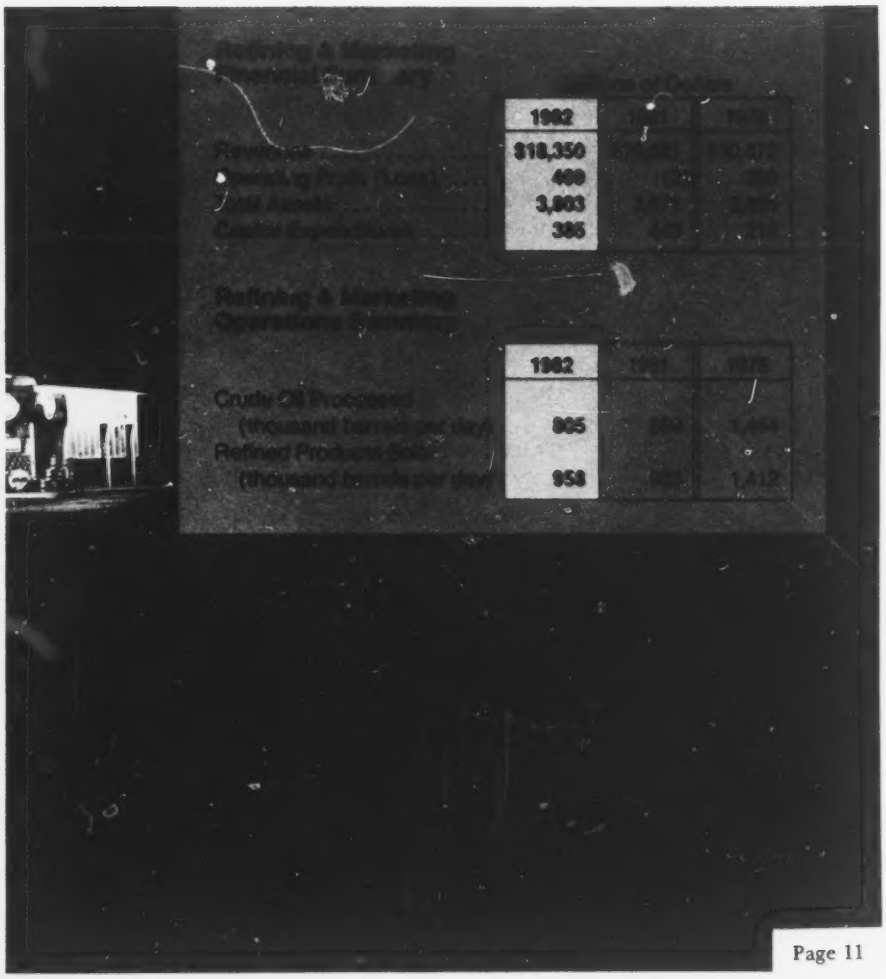
In order to improve its competitive position in this environment, Gulf accelerated a comprehensive strategy designed to achieve two broad goals: first, to become a low-cost producer by reducing feedstock costs as well as streamlining the Company's refining, distribution and marketing system; and second, to build and retain customer loyalty by offering and promoting top-quality products and services.

In refining, a number of cost-saving projects were completed during the year and others progressed that will expand Gulf's ability to process cheaper heavy and sour crude oil, improve product yields and conserve energy use. In marketing, the Company initiated a market-by-market, product-by-product review of operations aimed at reducing costs and improving profit margins by weeding out marginal contributors while expanding those with growth potential.

Although Nigerian crude oil, the Company's principal foreign source, was priced competitively with Saudi Arabian crude oil on a quality-adjusted basis, Saudi crude ceased to determine market prices in 1982. Instead, deeply discounted crudes available on the spot, or non-contract, market and Alaskan North Slope crude set the price for refined products in the U.S. With limited access to these lower cost sources, the Company remained at a cost disadvantage throughout 1982. However, because of refinery modifications, the Company now has the flexibility to use significantly less Nigerian crude in its system.

In Europe, Gulf is accelerating its efforts to withdraw from the refining and marketing business. Early in 1983, agreements

Page 10



Taillights streak a busy highway in this time exposure of a Gulf service station near Dover, New Jersey. (Below) *Kerolite, a quality kerosene for space heaters, was introduced at Gulf stations in selected areas during 1982.*

Page 11

were reached on the sale of the Company's principal operations in Switzerland, Scandinavia and the Benelux countries. Although the Company's competitive feedstock position improved in 1982, it was still more advantageous to buy refined products on the spot market than to buy and refine crude oil. A strengthening U.S. dollar also hurt earnings as the local currencies the Company received for product sales had less value than the dollars it paid for crude oil purchases.

United States

Gulf's U.S. refining and marketing operations earned $379 million in 1982, compared with a loss of $47 million a year earlier. However, the improvement was entirely attributable to the Company's ability to reduce inventories to reflect lower operating levels. This reduction will significantly reduce future carrying costs.

Although refined product sales rose 4 percent to 716,000 barrels per day and Gulf's refineries processed as much crude oil as they did in 1981—649,000 barrels per day—these volumes were approximately 25 percent below their peak levels in 1979. As a result, the Company's refineries have operated at less than 75 percent of capacity for the past two years.

Significant progress was made during 1982 in increasing the Company's ability to process cheaper crude oils and in lowering fuel consumption. A new 170,000-barrel-per-day sour crude unit was put in service at Port Arthur, Texas, in October, enabling the Company to greatly increase its processing of lower cost sour crudes. When this $225-million modernization program is completed in late 1983, Gulf's sour crude processing capability at Port Arthur will increase to 245,000 barrels per day. An improvement at the Alliance, Louisiana, refinery will allow 35,000 barrels per day of light crude to be replaced by lower cost heavy-sweet crude by 1984.

In addition, a new $100-million lube oil plant at the Port Arthur refinery will come on stream in 1983. It will enable the Company to process 13,000 barrels of high-quality lubricating oil per day from lower quality crude oil to offset the declining supply of specialty lube oil feedstocks.

Since fuel consumption accounts for as much as 70 percent of refinery manufacturing expenses, Gulf is engaged in a vigorous energy-conservation program which has reduced energy consumption by 23 percent since 1972. Furthermore, projects in progress will reduce energy costs by an additional $40 million per year after 1984.

The Company is continuing negotiations aimed at the sale of its 52,000-barrel-per-day refinery at Santa Fe Springs, California, having sold its West Coast marketing outlets in 1981.

The Company ended 1982 with 14,600 branded retail outlets in 28 states, primarily in the south and east. This represented a decline of 200 stations during the year. With falling demand, Gulf's strategy in 1983 calls for a further reduction in system size and a restructuring of existing operations in order to maintain its current share of the retail gasoline market.

In December, plans were announced to withdraw from both the gasoline and home heating oil markets in upstate New York and Vermont, where high delivery costs had placed the Company at a competitive disadvantage. A similar withdrawal from northwestern Ohio and southern Michigan was announced in early 1983. However, Gulf is continuing to invest in upgrading and selective expansions in major metropolitan areas, where $27 million has been spent on station improvements during the past two years.

Super Unleaded, Gulf's high-octane gasoline, continued to win wide consumer acceptance and accounted for 18 percent of the Company's gasoline sales in 1982. Auto Diesel also increased its market share and by year-end was available at nearly 20 percent of Gulf's service stations. A new product, Gulf Kerolite, was introduced in 1982 to meet the growing demand for fuel for portable space heaters.

The Gulf credit card has played a significant role in the Company's marketing strategy and in 1982 accounted for 25 percent of retail sales at a time when many competitors were discouraging credit card usage. In January 1983, Gulf dropped its 3-percent credit card service fee and announced plans to accept all major oil company credit cards as well as Visa and MasterCard. These moves are designed to assist Gulf's dealers and jobbers in being more competitive while building brand loyalty among their customers.

Gulf Refining and Marketing Company

J. H. Pronsky
GENERAL MANAGER
MARKETING PLANNING AND PRODUCT DEVELOPMENT

P. O. Box 2001
Houston, TX 77252

May 27, 1983

Mr. John F. Roscoe
Gasoline Marketing Survey
P. O. Box 886
Benicia, CA 94510

Dear Mr. Roscoe:

We appreciate your offer to include our views on gasoline marketing in your annual publication but must decline at this time. I am sure you are aware of a number of press reports about some of the actions we have been taking in the last year to increase our marketing effectiveness. We have many plans underway and would rather speak to results, perhaps in next year's publication. I also believe next year's Annual Report will contain a great deal of information on Gulf Oil Corporation's marketing operations.

Thank you again for your interest and good luck with your entertaining and informative publication.

Yours truly,

J. H. Pronsky

Gulf

A DIVISION OF GULF OIL CORPORATION

[redacted]

	1980	1981	1982
Sales	$52,484,640,000	$59,297,000,000	$59,297,000,000
Earnings	2,642,542,000	2,310,000,000	1,281,000,000
Number of Employees	66,745	67,000	60,330
Return on Average Shareholder's Equity	21.1%	17.6%	9.2%
United States Motor Gasoline Sales as a Percentage of Texaco Worldwide Sales (by Barrels)	19.7%	18.9%	16.4%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	2	6	6
On Shore Oil Rigs	—	5	4
Refineries	1	7	7
U.S. Gasoline Pumps	2	1	4
Gasoline Station Employees	1	1	1
Coal Mines	None	None	None
Corporate Citizenship	1	2	5
Research	—	3	6
Background of Chief Executive	Chemical Engineering	Chemical Engineering	Chemical Engineering
Percentage of Company Stock Owned by Corporate Officers and Directors	24/100th of 1%	27/100th of 1%	27/100th of 1%
Number of Pages in Annual Report	92	69	56
Number of Pages Devoted to Gasoline Marketing	1	1/3 page	2/3 page

Number of Texaco Gasoline Stations in the United States:

12-31-82	18,000
12-31-81	21,000
12-31-80	24,000
12-31-79	28,000
12-31-76	N/A
12-31-71	32,000

By acquiring a California firm in 1928, Texaco became the first oil company to market its products coast to coast under one trademark. Ever since then, Texaco has been one of the leading marketers of petroleum products in the United States, through a network of efficient retail outlets.

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Marketing

During 1982, new retail facilities were introduced which offer self-service, food marts, car washes, and service centers. The new facilities feature a bold new graphics design, emphasizing the Texaco star. More than 125 of these new high-volume units were open at year-end, and about 200 existing outlets have been rehabilitated. Additional retail outlets will be completed during 1983.

The introduction of these redesigned retail facilities contributed to improved efficiency, and sales per investment unit, both new and rehabilitated, increased more than 25%, compared with 1981. Continued improvements in marketing efficiency through Texaco's distribution system remain a major objective during 1983.

Late in 1982, an aggressive program was initiated to increase sales of *Texaco Super Unleaded* gasoline. This premium-quality product was promoted through

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television commercials, point-of-sale material, and credit card inserts featuring Texaco's new graphics. It has captured an increasing share of the Company's gasoline sales.

During 1982, a newly designed credit card was the most visible step in the Company's plan to strengthen its long-established credit card system. Additional motorists were solicited through special account acquisition programs, including offers of Texaco credit cards to customers of other major oil companies.

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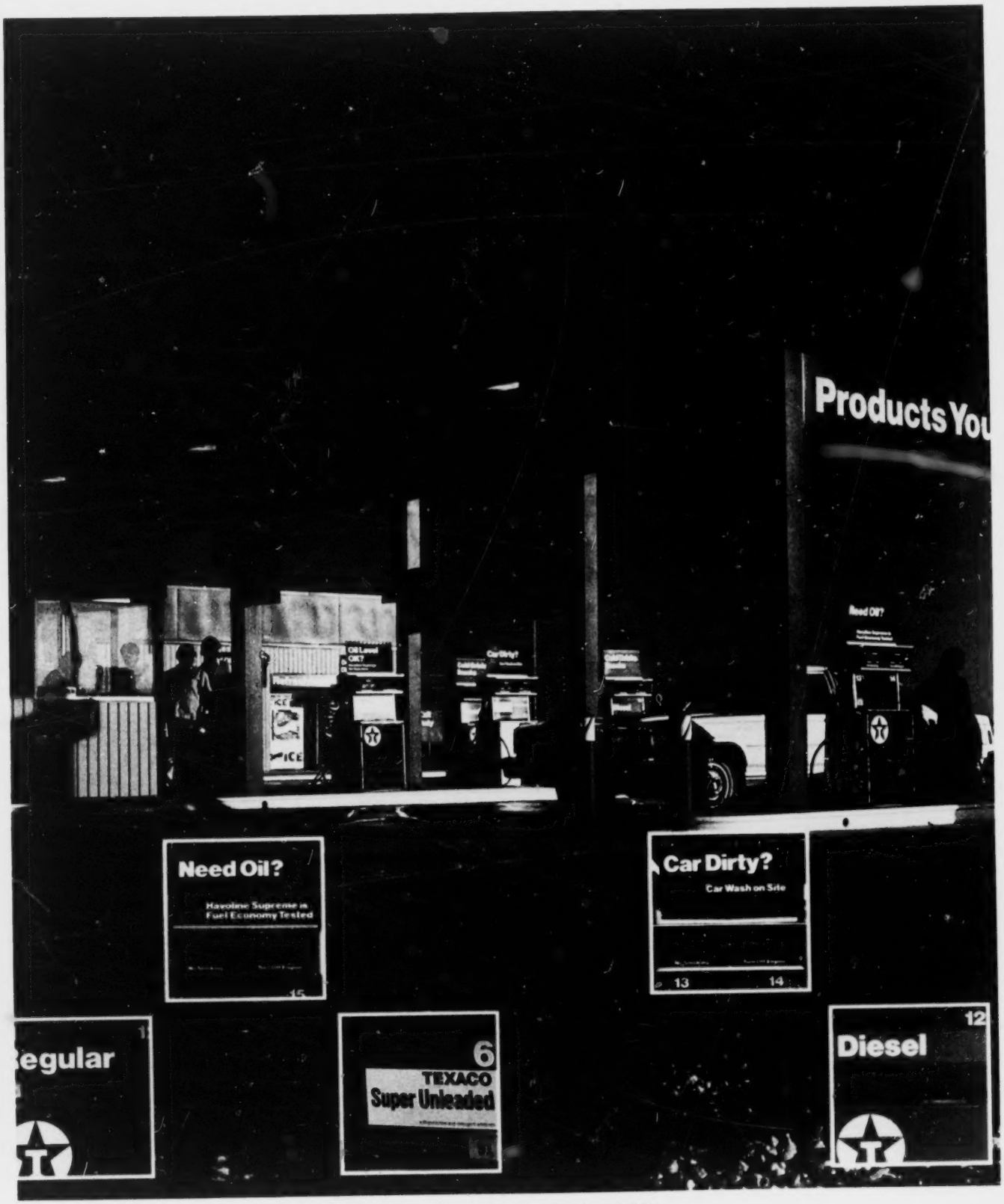
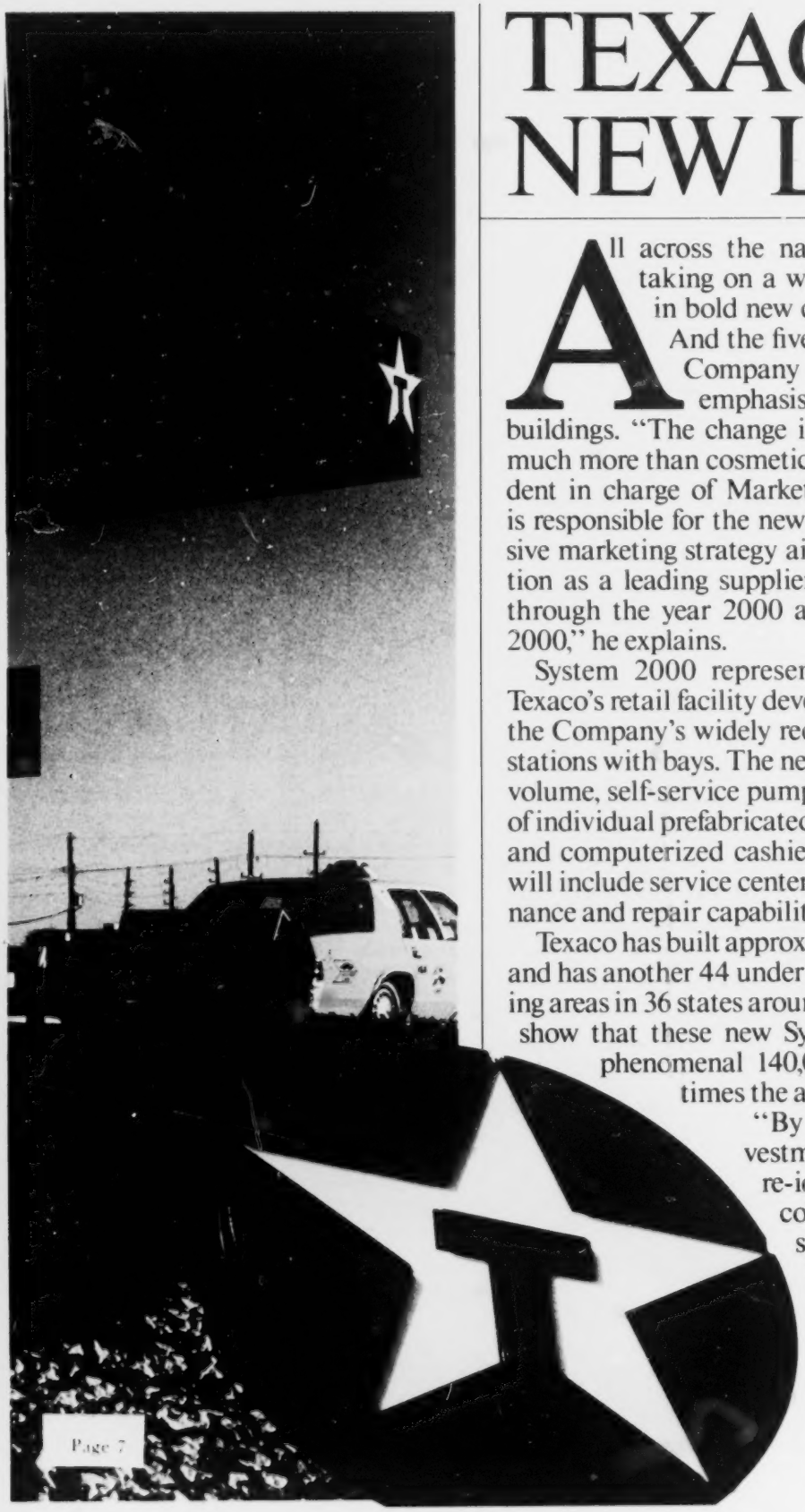


Page 6

Excerpt from *The Texaco Star*, Spring, 1983



TEXACO'S NEW LOOK

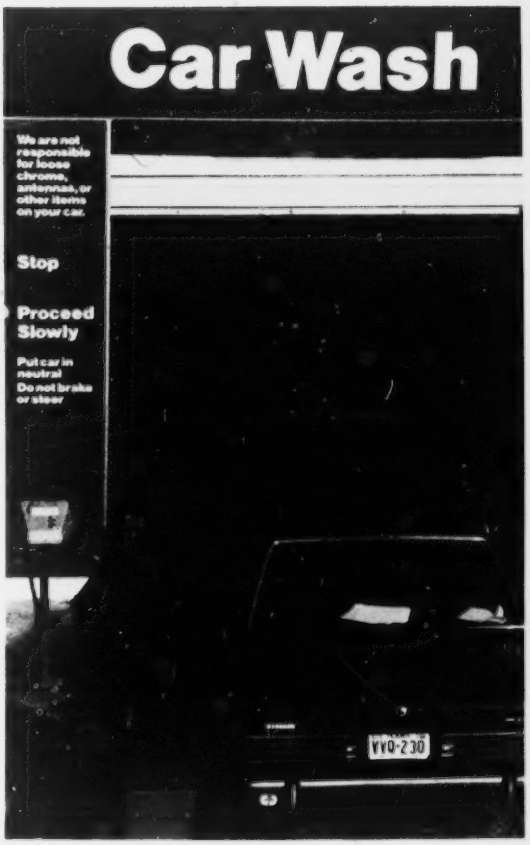
All across the nation, familiar Texaco stations are taking on a whole new look. They're dressing up in bold new colors— red, black, grey, and white. And the five-pointed Texaco star, symbol of the Company since 1903, has gained a renewed emphasis as the focal point of a new family of buildings. "The change in Texaco's service station design is much more than cosmetic," says Ellis W. Gunnels, Vice President in charge of Marketing for Texaco U.S.A., whose staff is responsible for the new look. "It's all part of a comprehensive marketing strategy aimed at strengthening Texaco's position as a leading supplier to the American motoring public through the year 2000 and beyond. Thus its name: System 2000," he explains.

System 2000 represents one of the biggest changes in Texaco's retail facility development since the advent, in 1937, of the Company's widely recognized green and white "ice box" stations with bays. The new System 2000 format features high-volume, self-service pump islands and "a family of buildings" of individual prefabricated modules for food marts, car washes, and computerized cashier kiosks. Some of the facilities also will include service centers with complete automotive maintenance and repair capabilities.

Texaco has built approximately 150 new System 2000 outlets and has another 44 under construction in its preferred marketing areas in 36 states around the nation. Latest progress reports show that these new System 2000 outlets are averaging a phenomenal 140,000 gallons a month—nearly three times the average for the industry as a whole.

"By 1985, all of our some 3,000 investment stations will be System 2000, or re-identified with the new System 2000 colors and graphics," Ellis Gunnels says. "We are building new System 2000 outlets where the population is growing. At the same time, we are continuing to close out our oldest, lowest volume stations in areas that have no real growth prospects.

"We plan to build about 100 new outlets each year for the next five years," he continues. "And about


Car Wash
We are not responsible for loose chrome, antennas, or other items on your car.
Stop
Proceed Slowly
Put car in neutral
Do not brake or steer

New Look continued

half of our existing investment stations have been remodeled and repainted in the new style; we expect to complete the program this year."

Gunnels emphasizes that Texaco's marketing strategy takes aim at what today's gasoline customers expect at a retail outlet—high-quality products, at a fair and competitive price, sold at convenient locations. "We've seen to it that all of our investment facilities throughout the nation are consistently competitive in price. Motorists also want safe, convenient, well-lighted, attractive places to buy gasoline, lubricants, and other products—places that project the image of quality. With System 2000, that's exactly what they're getting."

At the System 2000 stations, computerized, color-coded pumps, identified with generic product names—Regular, Unleaded, Super Unleaded, Diesel—guide the motorist to the fuel he or she needs. Once out of the car to pay for a fill-up, customers can step into the food mart to purchase a variety of convenience items such as milk, soft drinks, or a candy bar. They can spruce up their car with a trip through the automated car wash.

To encourage this added business, the gasoline pump toppers often carry promotional reminders—"Ice, juice, bread inside;" "Car dirty? Car wash on site". "We're talking about convenience and value for the motorist; volume and profit for Texaco," Gunnels says.

Is it working? "Look at the figures," Gunnels answers. "Texaco's average monthly gasoline throughput by the end of 1982 for all its investment stations was over 50,000 gallons, outperforming the majority of the companies in the industry. That's double our average monthly throughput in 1980; a phenomenal jump in just two years."

A food mart (above) and car wash are a potent combination for generating traffic—and gasoline sales—at System 2000 facilities like this one in Houston.

George Perkins, a Texaco retailer in Atlanta who, with his family, operates three new System 2000 facilities, has some impressive statistics of his own to use in evaluating the impact of System 2000. "The monthly gallonage at each of these three outlets is well over 100,000 gallons," Perkins says. "Our food mart sales are averaging from $11,000 to $17,000 a month.

"This type of station can now handle so many more people in a short time," he continues. "The public seems to like this type of station much better because they can wait on themselves and get in and out faster. We're all convinced that's the way to go."

Texaco is also encouraging wholesalers to adapt the System 2000 approach to their chains of stations, by making design plans available to them.

Johnny Rhodes of Walterboro, South Carolina, a town of 9,500 people, is one such wholesaler who built a System 2000 facility 15 months ago and will open a second one this spring.

"We've got the finest gasoline facility in town," Rhodes says. "Every month we sell about 85,000 gallons of gasoline. Every gallon we sell is a gallon that a customer was buying from somebody else down the road 15 months earlier. "We felt we had to be competitive in this very tough marketplace today," he continues. "We wanted to go competitors one better—with System 2000, we do." ☆

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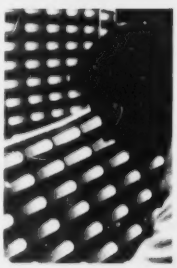
Texaco's new look in U.S. retail outlets *(right)* also means responding to the changing needs of motorists, including one-stop service and the appeal of associated convenience stores. These efficient outlets are built of prefabricated modules, designed for optimum operating efficiency. *Below:* An experimental feature at some of Texaco's new stations is this self-serve pump, which is activated by the motorist's Texaco credit card. The purchase is then transmitted by computer.



The Company's new look extends to a redesigned credit card *(right)*, which was distributed to credit customers during 1982. In the United States, where Texaco maintains a strong market position, improved credit card operations are expected to help the Company maintain its share of the highly competitive gasoline market. *Above:* At Houston's credit card center, an inspector checks a newly printed sheet of credit cards.

MARKETING PLAN FOR THE '80s

James W. Kinnear, Vice Chairman of the Board of Texaco Inc. and President of Texaco U.S.A.

The turbulent story of petroleum marketing in recent years is essentially a story of fuel shortages and now a surplus. It is set in an environment of fluctuating demand and prices for petroleum products, intense competition, fuel-efficient cars, and a generally depressed economy.

Recognizing that many of the old ways no longer work and that new approaches to marketing are required to deal profitably with market conditions, Texaco has been building a leaner, more efficient, and fully competitive marketing organization.

In a recent interview, James W. Kinnear, in his role as President of Texaco U.S.A., discussed Texaco's competitive position and outlined the Company's marketing plan for the 1980s. Mr. Kinnear has since been elected Vice Chairman of the Board of Texaco Inc. (Story appears on page 16).

Mr. Kinnear, the demand for gasoline, fuel oils, and other petroleum products has been declining, and analysts predict that the decline will continue for the foreseeable future. Can a business with a shrinking market continue to prosper?

I think you have to look at the petroleum market as being somewhat more complex. There are certain areas of the country where demand for our products continues to grow. There are other areas where demand continues to fall faster than national averages. One of the objectives we have is to position ourselves to participate in those geographic areas whose markets are growing. Also there are segments of our business, within the individual geographic markets, that have different growth rates. The diesel market, for example, should become stronger than the market for home heating oil. So, we are trying to position ourselves for greater penetration in the market for diesel oil.

The total U.S. petroleum market is so huge that it is possible, even though overall demand may be flat, for individual companies such as Texaco to do well in the markets they continue to serve.

Among the most dramatic of many changes Texaco has been making in its marketing operations has been a geographic realignment: withdrawal from certain areas of the country and a new emphasis on certain preferred markets. Have the benefits become apparent yet or are they still off in the future?

We find that the results from marketing activity are already significantly improved as a result of this. We're able to put more of our products in those areas where we are best able to compete. We are doing this using fewer terminals and fewer service stations, with fewer people. We're already seeing significant benefits. For example, the average throughput in Texaco stations was above 50,000 gallons per unit per month for the last four months of 1982. This was an increase of at least 26 percent over 1981. We sold about the same number of barrels of gasoline in 1982 as we sold the year before, but we sold them through significantly fewer stations and through significantly fewer terminals, and we manufactured them with three fewer refineries.

What is the number of Texaco service stations now?

We have about 3,000 investment-type service stations (those which are owned or leased by Texaco). Other stations, owned or leased by distributors or independent retailers, bring the number to approximately 18,000. *(continued)*

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"We wanted to call the public's attention to our big, modern self-serve outlets...to dramatize this Company's continuing dedication to the retail market."

Texaco has a new trademark and color scheme for its service stations. Was this simply the next step in the evolution of our service stations, or did we deliberately decide we wanted a new image?

We deliberately said we want to do something different. We wanted to have something to show the public that things are new and different in Texaco's marketing. We wanted to draw the public's attention to our big modern self-serve outlets, some of them with convenience stores, some with car washes, some with both, and to dramatize this Company's continuing dedication to the retail market.

With the advent of the new type of station with convenience stores and a car wash, we're finding that the overall number of retail outlets within Texaco has been decreased by about half, since the early 1970s. What do you see in the coming years. Is this trend going to continue?

I think the number of our investment stations should stabilize at about 3,000. There may be, over the next few years, 500 of our existing service stations closing. We may well build about 500 new ones. The number of distributor supplied stations will probably also decrease. Distributors will be striving for the same marketing efficiency as Texaco.

What's the future of the independent retailer with his repair service and lube bays?

I think the independent retailer who offers good mechanical service has a very bright future, because the total number of full-serve stations in the United States is coming down. Even though cars do have extended warranties and extended motor oil drain periods, there is a demand for the man who really provides a service by giving satisfactory repairs on motor vehicles. As long as he can provide the service, he is going to do well.

We've also been changing the labeling on our products. *Fire Chief* and *Sky Chief*, for example, are historic names, and we seem to be dropping them now. Why?

The reason for this is really the tremendous amount of gasoline that's being sold self-service. When a customer drives into a service station, it is not always clear to him which gasoline is best for his car. So, in order to help the customer pick out the gasoline that is most efficient in his automobile, without the help of an attendant, we're using the generic names.

What about the product lineup at Texaco service stations? Do you see leaded gasoline being available for much longer?

Yes, I think the use of leaded gasoline will slowly decline but it's going to take a while for it to happen. Demand for diesel fuel will continue to expand. By 1990, perhaps, it will have a very significant place in service station volume. Sales of unleaded gasolines will also continue to expand. Motor oil consumption per automobile has been dropping because cars have smaller displacements and because the drain periods have been extended.

What about ethanol, is there a strategic place for ethanol in gasoline in Texaco's marketing?

Yes, ethanol is the alcohol that we use in blending with some of our gasolines, particularly in the Midwest. Ethanol is a very good blending agent to improve the octane rating of our gasoline. The way we manufacture it is really quite energy-efficient.

Convenience stores have been incorporated in service stations in certain European countries for years. Was Europe the inspiration for the convenience stores in the United States?

Certainly self-serve and convenience stores were popular in Europe long before they appeared in the United States. They were very popular in Scandinavia, Germany, and then the United Kingdom. That was one of the reasons why we became interested in it here, because it has been so successful there. One of the differences, of course, is that in Europe you don't generally have credit cards. The customer usually leaves his car to pay at the cash register. That meant an opportunity to sell him something else. In the U.S., where the customer often is buying on credit, he is less likely to get out of his car. Once you get him out at a self-service station, you have a chance to sell him something. The convenience stores that Texaco is offering at most of its new retail outlets offer the motorist one-stop shopping for a variety of his needs: the quick food items and items for the car are all available in a very attractive setting in the convenience stores. Typically in a new service station you will have a convenience store, a car wash, or both. We will be building about 100 of these outlets per year.

Texaco in recent years has been consolidating its internal marketing operations facilities. Would you outline some of the improvements in efficiency of the Company's inventory management.

We are now able to run our business with about 25 percent less inventory than we had in the past. This reduces our need for working capital very significantly, and reduces the expense involved in the interest on that money. This has been achieved primarily by shutting three refineries and reducing the number of our terminals from over 200 to less than 100.

Speaking of efficiencies in our marketing operations, is there any way to quantify the savings?

That is very hard to do because we are dealing in a dynamic market. The major objective of any marketing organization is to do things at a cost no higher than that incurred by the major competition. Yes, we've been able to reduce our costs significantly, from what they would otherwise have been. But the competition has also improved in this area. I think we can state today that our costs of distribution and marketing are no higher than those of our major competitors, and that's the acid test.

How does the cost of marketing our products relate to the price at the pump?

On the average it costs about 5 cents a gallon to market our products. The cost of marketing includes all costs incurred to move the product from the refinery to the customer's tank.

Texaco has redesigned its credit card and has also instituted a three percent charge to retailers on credit card sales. Has the charge had any significant effect on our sales?

We really can't say that the credit charge has depressed our sales in the year since it became effective. It did probably for the first 60 days, but since that time the competitive position has changed. Other companies have instituted a similar charge, and our credit card business is just about back to where it was before the charge was imposed.

Has the credit card fee achieved its objective of generating revenue to help pay the costs of operating the credit card system?

Yes, the credit card charge does provide a significant offset to the cost of running the credit card system. We're not recovering all the costs, but we are recovering slightly over half of them.

Texaco has had a strong consumer sales operation over the years. Our lubricants have been highly regarded for industrial and transportation applications. Has the general downturn in the economy hurt this part of our business?

It certainly has. Sales of our lubricating oil and industrial fuel were down about 20 percent for 1982. In general, though, we have not lost our market position. We remain the strongest supplier of industrial lubricants in the United States. So we haven't lost our percentage of the market. We think we're in a very good position to increase those sales as soon as we have some kind of industrial recovery.

Do we still consider consumer marketing to be a part of the business that we want to pursue aggressively?

Absolutely. We have, for example, set up a Midwestern Lubricants Division to serve those areas of the country where we've stopped retail marketing in order to hold on to our lead in the industrial business. We're making some very definite changes in our lubricating oil distribution to improve the availability of package products at various locations throughout the country, to better serve our customers, and reduce the amount of inventory we have in lubricating oils.

How significant a part will the marketing function have in improving the overall profitability of Texaco's United States downstream operations?

The marketing staff of Texaco is going to have to play a large part in improving the profitability of Texaco's downstream operations. They've already achieved a great deal with the reduction in the number of stations, they have reduced the number of people, and have improved the throughput per station. The main challenge for the Company at the moment is to make sure that our refining system supplies the marketing system in as efficient a manner as possible. This involves the number of refineries, the process configuration available at the various refineries, and the crude slate that is delivered to the various refineries. A combination of improving these three aspects of the refineries, along with the improvements that we talked about in marketing should make the entire system profitable for the years to come. ☆

"I think we can state today that our cost of distribution and marketing are no higher than those of our major competitors, and that's the acid test."

TEXACO
U. S. A.

ELLIS W. GUNNELS
VICE PRESIDENT

P.O. BOX 52332
HOUSTON, TEXAS 77052

May 23, 1983

Mr. John F. Roscoe
Gasoline Marketing Survey
P.O. Box 886
Benicia, CA 94510

Dear Mr. Roscoe:

This is in response to your May 3 letter requesting additional Marketing information.

Texaco's Marketing goals and strategies reflected only minor changes in tactics during the last year. Because of that fact, we do not plan to provide any additional information.

You are encouraged to reprint the Marketing Section from our Corporate Annual Report as well as print other information you obtained from industry publications, such as the NPN Annual Factbook.

Yours very truly,

Ellis W. Gunnels

EWG:flm
FM2/MM

[redacted]

	1980	1981	1982
Sales	$63,726,000,000	$68,587,000,000	$64,137,000,000
Earnings	2,813,000,000	2,433,000,000	1,380,000,000
Number of Employees	212,800	206,400	188,000
Return on Average Shareholder's Equity	23.9%	17.6%	9.4%
United States Motor Gasoline Sales as a Percentage of Mobil Worldwide Sales (by Barrels)	18.9%	16.9%	18.0%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	3	1	1
On Shore Oil Rigs	—	None	1
Refineries	2	2	2
U.S. Gasoline Pumps	—	None	None
Gasoline Station Employees	None	None	None
Coal Mines	None	None	None
Corporate Citizenship	None	None	None
Research	—	None	1
Background of Chief Executive	Acounting	Accounting	Accounting
Percentage of Company Stock Owned by Corporate Officers and Directors	39/100th of 1%	N/A	62/100th of 1%
Number of Pages in Annual Report	63	53	48
Number of Pages Devoted to Gasoline Marketing	1/3	1/3	1/3

Number of Mobil Gasoline Stations in the United States:

12-31-82	16,216
12-31-81	16,564
12-31-80	17,425
12-31-79	17,749
12-31-76	N/A
12-31-71	N/A

Marketing

Mobil Oil's petroleum products are marketed extensively in the United States and in more than 100 other countries. It has approximately 34,7000 retail dealer outlets, 47% of which are located in the United States. These products include automotive and aviation gasolines, motor oils and greases, industrial lubricants and greases, marine fuels, jet fuels, lubricants, fuel oil, diesel oil, kerosine, asphalts, naphthas, solvents, waxes, and liquefied petroleum gas. The principal brand names identifying Mobil Oil's products are "Mobil Unleaded," "Mobil Super Unleaded," "Mobil Regualar," and "Mobil Premium" gasolines, "Mobiloil," "Mobilheat," "Mobilgrease," "Mobil 1," "Delvac 1," and "Mobil" industrial and marine lubricants and process products.

Excerpt from 10K, Marketing, page 1-7

Becoming leaner and more competitive

New capital investments, an extensive reorganization of marketing and administrative activities, and other operational improvements made our marketing and refining network more efficient in 1982.

Marketing consolidations

We continued to streamline marketing operations around the world, focusing on new high-volume locations with favorable supply logistics while closing down marginally profitable outlets. This program, together with an expansion of self-service operations, led to an increase in gasoline throughput. Annual throughput of owned and leased stations in the U.S. rose to 590,000 gallons per outlet in 1982, representing a 20 percent increase over the last five years. Overseas, annual throughput per retail outlet grew to about 285,000 gallons, compared with 179,000 gallons in 1977.

To reduce marketing costs in the U.S., four regional offices were consolidated into three, certain administrative operations were centralized or restructured, and three product distribution centers were closed. Costs were pared overseas through greater computerization of distribution activities of our terminals.

Page 8

Despite the decline in earnings, the oil and gas activities of Mobil Oil gained new strength during 1982. Our sizable exploration and producing investments, continued efforts to develop secure supply arrangements in the Middle East, and a vigorous program to streamline and upgrade the marketing and refining complex are laying the groundwork for increasing profitability in the years to come.

Page 4

Mobil Oil Corporation

May 27, 1983

Mr. John F. Roscoe
Gasoline Marketing Survey
P. O. Box 886
Benicia, CA 94510

Dear Mr. Roscoe:

Your letter of May 3rd to R. L. Abbott, requesting information relating to Mobil marketing strategy, structure and goals, has been referred to Marketing Planning & Financial Analysis for consideration. A careful review of your information needs, relative to the best interests of Mobil Oil Marketing, clearly indicates that we cannot respond affirmatively.

Through your participation in the marketing survey field, you are no doubt aware of the highly competitive nature of petroleum marketing. Mobil's strategies, structure and goals must, therefore, be regarded as proprietary. Accordingly, it would not be prudent for us to release these data to the industry through inclusion in your Gasoline Marketing Survey.

Considerable information relative to the marketing structure of Mobil, as well as all other gasoline marketers, is available in the public domain. These data are published in industry periodicals generally, and most specifically, in the annual National Petroleum News Fact Book.

While we appreciate your interest in Mobil Oil Corporation, we trust you will understand the reasons for our not being able to release specific Marketing information. We wish you continued success in your survey endeavors.

Yours very truly,

W. D. Manz
General Manager
Planning & Financial Analysis

/jp
2532Q

	1980	1981	1982
Sales	$41,553,474,000	$45,229,000,000	$35,218,000,000
Earnings	2,400,779,000	2,380,000,000	1,377,000,000
Number of Employees	40,218	43,281	41,726
Return on Average Shareholder's Equity	21.7%	20.0%	10.6%
United States Motor Gasoline Sales as a Percentage of Chevron Worldwide Sales (by Barrels)	18.9%	17.8%	19.4%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	3	2	4
On Shore Oil Rigs	—	3	None
Refineries	3	3	4
U.S. Gasoline Pumps	None	None	1
Gasoline Station Employees	1	1	1
Coal Mines	None	None	None
Corporate Citizenship	2	1	1
Research	—	2	8
Background of Chief Executive	Chemical Engineering	Chemical Engineering	Chemical Engineering
Percentage of Company Stock Owned by Corporate Officers and Directors	1/10th of 1%	1/5th of 1%	1/6th of 1%
Number of Pages in Annual Report	56	53	52
Number of Pages Devoted to Gasoline Marketing	1 page	1-1/3 page	1 page

Number of Chevron Gasoline Stations in the United States:

12-31-82	11,295
12-31-81	11,586
12-31-80	12,139
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

Marketing

The Company (including its share of affiliates) sells petroleum products throughout the world and ranks as one of the largest manufacturers and marketers of paving and industrial asphalts. The Company's principal trademark identifying the petroleum products marketed is "Chevron." Domestic sales of refined petroleum products by the Company during 1982 amounted to 950,000 barrels daily, equivalent to 6.3% of total U.S. consumption. Worldwide sales, including the Company's share of affiliates' sales, were 1,821,000 barrels daily in 1982 or approximately 3.9% of the Free World's total.

In the United States, the Company has service station operations in 39 states and the District of Columbia, and is the leading gasoline marketer in the Pacific Coast and southeastern states regions. At year-end 1982, the Company had over 12,000 retail outlets selling its branded products throughout the domestic marketing area. It also markets in Western Canada, Central America and Puerto Rico. Sales in Eastern Canada are through a jointly owned affiliate which is a leading marketer in that area.

In Western Europe and the United Kingdom the Company markets principally through wholly owned subsidiaries. Elsewhere in the Eastern Hemisphere, marketing operations are conducted through Caltex, a jointly owned affiliate which has sales in some 60 countries.

The Company's worldwide petroleum product sales and net crude oil sales (sales, less purchases other than royalty oil purchased and oil acquired under long-term supply arrangements with foreign producing country governments), including the Company's interest in these sales by affiliates, for the past five years were as follows:

	1982	1981	1980	1979	1978
	Daily Average Barrels				
Petroleum Products					
United States	949,667	1,140,477	1,254,989	1,286,448	1,245,268
Foreign	870,852	1,032,269	1,119,998	1,192,520	1,211,220
Total Products	1,820,519	2,172,746	2,374,987	2,478,968	2,456,488
Crude Oil (less purchases)	415,891	857,500	784,726	949,984	1,043,075
Total Products and Crude Oil	2,236,410	3,030,246	3,159,713	3,428,952	3,499,563

Reduced sales of petroleum products reflect the continuing worldwide trend toward greater conservation and more fuel-efficient automobiles and equipment. The Company closely monitors these shifting market patterns and adapts to them as quickly as practicable. Extensive modernization of service stations, expansion into more promising markets and closing uneconomic outlets are all part of a five-year program begun in 1980 to modify the Company's retail outlet network so as to maintain a profitable position in markets where it operates.

The Company joined with its dealers in 1982 in promoting a program of giving discounts for cash purchases of gasoline by the motoring public. This was accomplished by reducing the wholesale price of this product to the dealers and separately charging them for handling credit card transactions.

Excerpt from 10K, Marketing, page 8

MARKETING

DOMESTIC MARKETING

The changes within the U.S. gasoline marketplace in 1982 were, on the surface, clearly evident to any consumer. Prices declined, oil companies began accepting each other's credit cards and, along with myriad incentives to draw patronage, discounts were offered for cash purchases. These, however, were manifestations of an even more profound evolution affecting the entire petroleum products industry.

Ample crude supplies, a surplus of refining capacity and declining product demand—in part due to conservation and an increase in fuel-efficient automobiles—contributed to a fiercely competitive marketing environment. Not to be underestimated, moreover, is the impact of the removal, two years ago, of government price and supply controls, which for a decade encumbered petroleum marketing competition.

A number of programs assisted our Chevron service station dealers in addressing a larger segment of the retail market. For example, since customers paying cash outnumber credit card users three to one, we separated the cost of credit from the price of gasoline. Wholesale prices were reduced and dealers were charged separately for credit card transactions. This enabled Chevron dealers to extend lower prices to cash customers while retaining the credit card for motorists who prefer its convenience.

To meet competition and minimize the erosion of our credit card base, a program to honor all oil company credit cards was offered for a limited period of time in 1982. Motorists presenting competitors' credit cards were given applications for Chevron's

As a result of weak demand and an increasingly competitive marketplace in 1982, our domestic petroleum product sales declined about 17 percent. (Another major factor was curtailment of fuel oil purchases by two California public utilities.) We have, meanwhile, taken strong measures to aid our gasoline dealers, who are a key to our marketing effort. One action enables dealers to offer a dual-pricing system, whereby their customers receive a discount for cash purchases, or retain the convenience of credit card use at a slightly higher price.

Page 2

Increasingly intense competition marked the petroleum marketplace in 1982. Many factors contributed, particularly the removal of government supply and price controls.

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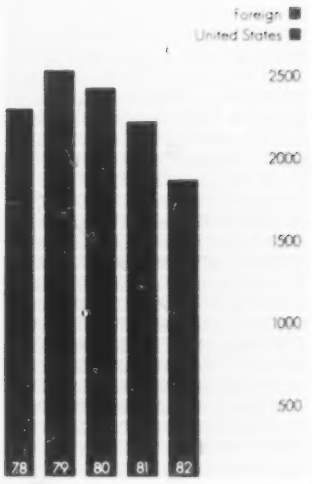
National Travel Card, resulting in a large number of new Chevron cardholders.

For several years, the percentage of self-service gasoline sales has increased as full-service sales have declined. Overall, self-service customers now account for three-fourths of the retail market. We have begun a program to automate selected Chevron stations so that self-serve pumps can be controlled from a central booth, operated by a single cashier with a computerized cash register. This program will enable our dealers to reduce operating costs and compete more effectively in the price-sensitive–and growing–self-serve sector.

During 1982, we greatly broadened the customer base for our lubricating oil products. We are now offering Chevron motor oils through chain food, drug and discount stores–in addition to our dealers and jobbers. This will enable us, incidentally, to take advantage of the Richmond Lube Oil project's future production capabilities.

Overall, domestic light product sales volumes were off 11 percent from 1981. Motor gasoline volumes declined 9 percent, middle distillate volumes were down 19 percent, but jet fuel sales–in which Chevron is an industry leader–fell only 2 percent. As noted, two major California utilities sharply reduced purchases of fuel oil, which resulted in a total domestic petroleum products sales decline of about 17 percent.

Friendly, fast and efficient service keynoted the efforts of our Dealer and Chevron employees on the service station pump islands in 1982.



SALES OF PETROLEUM PRODUCTS*

BEST AVAILABLE COPY

	1980	1981	1982
Sales	$24,156,000,000	$28,208,000,000	$26,991,000,000
Earnings	1,651,000,000	1,671,000,000	1,676,000,000
Number of Employees	53,400	54,200	51,600
Return on Average Shareholder's Equity	24.4%	20.8%	18.1%
United States Motor Gasoline Sales as a Percentage of ARCO Worldwide Sales (by Barrels)	41.8%	40.2%	42.3%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	1	2	2
On Shore Oil Rigs	—	1	1
Refineries	1	1	2
U.S. Gasoline Pumps	1	1	1
Gasoline Station Employees	None	None	1
Coal Mines	None	2	None
Corporate Citizenship	1	2	2
Research	—	1	2
Background of Chief Executive	Finance	Finance	Finance
Percentage of Company Stock Owned by Corporate Officers and Directors	46/100th of 1%	46/100th of 1%	43/100th of 1%
Number of Pages in Annual Report	60	61	60
Number of Pages Devoted to Gasoline Marketing	1/2	4	2

Number of ARCO Gasoline Stations in the United States:

12-31-82	5,260
12-31-81	7,122
12-31-80	8,200
12-31-79	8,300
12-31-76	N/A
12-31-71	N/A

The Company markets gasoline and other refined petroleum products to both consumers and resellers. In the United States, gasoline is marketed under the ARCO trademark, directly and through distributors, to approximately 5,300 branded retail outlets. ARCO branded service stations are located predominately in the Northeast, Mid-Atlantic, metropolitan Chicago and the West. Automotive oils are sold to service stations, distributors and commercial consumers. Heating oil, lubricants and natural gas liquids are marketed through distributors and directly to consumers. Heavy fuel oils are sold directly to utilities and other customers, and jet fuels are sold directly to airlines and others. Cargo and bulk sales are also made to commercial and industrial consumers, and certain products are marketed through other channels. Retail marketing operations are also conducted in Brazil but generally do not involve refined petroleum products from any of the Company's refineries.

As of December 31, 1982, approximately 750 am/pm mini markets, a convenience store franchise of the Company, were in operation. Late in 1982, the Company introduced MP&G (Mileage, Performance and Guarantee) Tune-up Center franchises at 81 locations in Boston and Southern California. In April 1982, the Company discontinued its retail credit card program.

Excerpt from 10K, page 6

What the Atlantic Richfield Annual Report Says About Gasoline Marketing:

Strategy 3: Maintain the high degree of efficiency and profitability of our pipelines, tankers, refineries and marketing assets by capitalizing on past investments.
Years of effort to improve the productivity of these operations were rewarded with outstanding results during 1982.

The Company eliminated its credit card program and associated costs, expanded the am/pm mini market concept and introduced new computerized tune-up centers in 1982, steps that helped us improve profitability at a time of slumping industry demand. Atlantic Richfield's gasoline sales volume increased 11 percent over 1981 levels, while total industry sales declined 1 percent. Our refineries also operated at a high rate of efficiency, achieving a 97 percent average utilization rate.

Pretax profits for refining and marketing operations rose to $809 million from $601 million in 1981. This includes approximately $200 million for the pretax effect of inventory reductions, compared to approximately $150 million for the combined pretax effect of inventory reductions and other nonrecurring items in 1981.

Page 3

The Company is continuing to convert selected service stations to am/pm mini markets, which provide one-stop shopping for the motoring public. By year end, there were approximately 750 such units in operation. Food sales at am/pm mini markets increased 11 percent over 1981.

Late in 1982, the Company introduced MP&G (Mileage, Performance and Guarantee) Tune-Up Center franchises that feature computer-diagnosed automotive tune-ups and other special services. The concept had been successfully field tested earlier in the Boston area under the Award Tune-Up name. At year end, there were a total of 81 MP&G Tune-Up Centers: 21 in the Boston area and 60 in Southern California.

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Responding to consumer preferences, Atlantic Richfield discontinued its retail credit card program in 1982 and passed the resulting cost savings on to dealers and distributors in the form of lower gasoline prices. Because of this and other factors, the Company's gasoline sales volume increased 11 percent in 1982 over 1981 levels, despite a decline in demand which affected most other marketers.

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Excerpt from the Annual Report of Atlantic Richfield Company, December 31, 1982

Fuels

Atlantic Richfield is an integrated petroleum company, whose oil and gas activities extend to the transportation, refining and marketing of petroleum products. These operations are carried out through two entities: ARCO Transportation Company, which operates and manages ocean-going tankers and pipelines, including Atlantic Richfield's interest in the Trans Alaska Pipeline System; and ARCO Petroleum Products Company, which operates four large efficient refineries and markets retail products in the Northeast, West Coast, and selected Mid-Atlantic areas.

Atlantic Richfield has a strong industry position in refining and marketing. The Company's proprietary crude oil production is virtually in balance with its refining capacity. In addition, the Company's large investments during the 70s are enabling its refineries to operate at a high level of efficiency, even with today's lower quality crude supplies. With minimal future investment, Atlantic Richfield expects these operations to continue to provide cash flow and profitability in what is expected to be an increasingly competitive environment.

Capital expenditures for fixed assets for refining, marketing and transportation amounted to $302 million in 1982, less than 8 percent of Atlantic Richfield's total fixed asset additions. Assets for these operations totaled approximately $5.3 billion at year end, representing about 24 percent of the Company's total assets.

Atlantic Richfield has been a leader in refining and marketing innovations for a decade at least. The am/pm mini market franchise program, originally introduced in 1980, combines several marketing concepts, including self-service, cash only and the sale of convenience food items.

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Refining and Marketing Industry Overview

America's consumption of petroleum products continued to decline in 1982, heightening competition and weakening prices throughout the industry.

Continuing a four-year trend, U.S. gasoline demand declined 1 percent from 1981 levels, to 6.5 million barrels a day. A faltering economy, combined with conservation and switching to other fuels, reduced the demand for medium distillate fuels by 5 percent to 2.7 million barrels per day. Residual fuel, used by ships, industry and utilities, was by far the weakest product line for the oil industry in 1982. Residual fuel demand was 1.7 million barrels per day, a 19 percent decrease from 1981. The jet fuel market held steady at approximately one million barrels per day. Overall, U.S. demand for refined petroleum products declined 5 percent in 1982, to 15.2 million barrels per day. The downtrend has been even more pronounced over a three-year period, with demand dropping a total of 18 percent from 1979.

The lower demand, coupled with industry efforts to dispose of excess inventory, resulted in a product surplus that put downward pressure on prices of refined products in 1982. This aggravated the overcapacity situation and caused some refiners to shut down additional processing units or whole refineries. More than 2.2 million barrels per day of crude processing capacity has been shut down since 1980, an 11 percent reduction in U.S. refining capacity. Even with this reduction, the industry's refinery utilization rate averaged only 70 percent in 1982.

With a steady improvement in automobile engine efficiency, there is little prospect for volume growth in gasoline consumption. Improvement in demand for distillate and residual fuel depends primarily on the strength of the economic recovery and prices of competing fuels. Faced with this uncertain product demand outlook and an increasing proportion of heavy, sour crude oils, many refiners will need to make expensive plant modifications to process the lower quality feedstock and maintain their ability to meet product demands.

Those, like Atlantic Richfield, who have already improved the efficiency of their operations should have an advantage in this highly competitive environment.

As a result of a long-term effort to improve refining and marketing efficiency, ARCO Petroleum Products Company turned in highly successful results in 1982, in spite of declining demand for the industry as a whole. Pretax earnings for refining and marketing operations rose to $809 million, a 35 percent increase over 1981 earnings of $601 million. This includes approximately $200 million for the pretax effect of inventory reductions in 1982, compared to approximately $150 million for the combined pretax impact of inventory reductions and provisions for other nonrecurring items in 1981. Combined crude and product inventories were drawn down by an additional 7 percent in 1982, for a total reduction of 45 percent from 1980 peak levels.

Marketing Taking another step in a long line of marketing innovations, ARCO Petroleum Products Company eliminated its retail credit card program in April 1982. This action was estimated to result in cost savings to the Company of some $73 million annually, which are being passed on to dealers and distributors in the form of significantly lower gasoline prices.

This bold move, a first among major U.S. marketers, proved highly successful. Despite an industrywide decline in gasoline demand, ARCO Petroleum Products Company's gasoline sales increased by 11 percent. By year end, the average monthly throughput at lessee dealer stations was slightly over 125,000 gallons, approximately 2.5 times the volume averaged by other major retailers.

In addition to stocking a wide variety of convenience foods and supplies, ARCO am/pm mini markets now offer fast food items.

[redacted]

	1980	1981	1982
Sales	$13,411,000,000	$15,475,000,000	$16,038,000,000
Earnings	723,000,000	1,076,000,000	537,000,000
Number of Employees	48,086	45,062	41,438
Return on Average Shareholder's Equity	16.8%	21.5%	10.5%
United States Motor Gasoline Sales as a Percentage of Sun Worldwide Sales (by Barrels)	46.8%	46.9%	46.7%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	1	1	2
On Shore Oil Rigs	—	4	1
Refineries	None	None	2
U.S. Gasoline Pumps	1	1	1
Gasoline Station Employees	With pump	None	None
Coal Mines	3	2	None
Corporate Citizenship	5	4	None
Research	—	2	1
Background of Chief Executive	Chemical Engineering	Chemical Engineering	Chemical Engineering
Percentage of Company Stock Owned by Corporate Officers and Directors	6.05%	5.00%	3.5%
Number of Pages in Annual Report	60	65	56
Number of Pages Devoted to Gasoline Marketing	2	2	1-1/2

Number of Sun Gasoline Stations in the United States:

12-31-82	8,100*
12-31-81	8,400*
12-31-80	9,000
12-31-79	N/A
12-31-76	13,200
12-31-71	N/A

*Sun also had some 600 Convenience Stores retailing gasoline.

Marketing

The principal refined products which Sun markets are fuels, lubricants and petrochemicals. Refined product sales data for the five-year period ended December 31, 1982 are set forth in the table on page 49 of Sun's 1982 Annual Report to Shareholders.

Sun sells gasoline, middle distillates and other fuels primarily to North American customers. The volume of such fuels sold increased from approximately 420,000 barrels daily in 1981 to approximately 454,000 barrels daily in 1982. Fuels are sold to wholesale, commercial, industrial and retail customers. Retail sales of gasoline under the "Sunoco" and "DX" brands are made largely through service station outlets operated by independent dealers in a marketing area in the eastern one-half of the United States and in Ontario and Quebec, Canada. As of December 31, 1982, Sun had approximately 8,100 branded service station outlets and some 600 convenience stores retailing gasoline.

Excerpt from 10K, Marketing, page 10

Refining and Marketing

In its first year as an operating unit within Sun Company, Sun Refining and Marketing Company had a profit contribution of $96 million, up from the $84 million profit contribution for the corresponding activities in 1981. Included in the 1982 profit contribution was $33 million resulting from a reduction in refined product and crude oil inventories, valued at lower last-in, first-out (LIFO) costs prevailing in prior years.

The profit contribution was accomplished despite intensely competitive market conditions encountered industrywide in 1982. In addition, Sun experienced reduced sales volumes of high-valued lubes and chemicals brought about by weakness in the economy.

One of the purposes of establishing the Sun Refining and Marketing Company was to manage the core domestic "downstream" businesses of Sun Company for improved productivity and effectiveness. This was pursued in 1982 through a variety of measures to reduce costs, improve efficiencies and use basic facilities as fully as possible.

Credit card holders increase

Programs to control costs were extremely successful at Sun's domestic refineries. The refineries were able to run at 79 percent of capacity, versus an industry average of 70 percent.

Efforts to secure stable, low-cost domestic raw material supplies were also successful. The refineries now get 68 percent of their crude oil from domestic sources, up substantially from the 1970s.

With gasoline prices dropping much of the year, Sun's Sunoco Marketing Group introduced several promotions to maintain its share of a declining market, including the one-price-cash-or-credit policy and the acceptance of all major oil company credit cards. These programs brought the total of company credit card holders to over three million.

During the year, Sun once again focused on the more lucrative higher volume gasoline outlets. The company's strategy is to concentrate its branded gasoline business in the Northeastern United States to improve marketing effectiveness.

Continued

Gasoline marketing strategy focuses on high volume outlets

Company credit card holders surpass the three million mark

Page 11

Excerpt from the Annual Report of Sun Company, December 31, 1982

At the same time, Sun continued to sell gasoline to independent marketers, chiefly in the Mid-Continent states from which the company has been withdrawing its branded products. Unbranded gasoline sales accounted for some 25 percent of total gasoline volume.

Combined branded and unbranded gasoline sales volume for the year was 10 percent above 1981's volume of 226,067 barrels a day, reaching 247,939 barrels a day.

Sunoco Marketing's unique Custom Blend gasoline pump — Sun Dial — continued to attract customers who want a wider choice of octanes. In 1982, Sun unveiled a new model pump with electronic blend selection and gallon/price readout.

Reflecting Sun's commitment to the lubes business, in 1982 the company introduced and vigorously marketed new metalworking and hydraulic oils and a high-water-based hydraulic fluid. Sun remains the second largest producer of lube oils in the United States and continues to build on its outstanding technical reputation in this business.

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Sun's new gasoline pump has electronic blend selection and gallon price readout.

Page 13

[redacted]

	1980	1981	1982
Sales	$11,346,000,000	$14,140,000,000	$13,529,000,000
Earnings	1,811,000,000	1,947,000,000	1,879,000,000
Number of Employees	22,938	56,572	49,800
Return on Average Shareholder's Equity	39.7%	31.0%	28.5%
United States Motor Gasoline Sales as a Percentage of SOHIO Worldwide Sales (by Barrels)	62.8%	65.0%	65.6%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	None	2	4
On Shore Oil Rigs	—	3	2
Refineries	1	1	3
U.S. Gasoline Pumps	None	1	1
Gasoline Station Employees	None	None	None
Coal Mines	None	3	3
Corporate Citizenship	1	1	None
Research	—	2	2
Background of Chief Executive	Engineering and Finance	Engineering and Finance	Engineering and Finance
Percentage of Company Stock Owned by Corporate Officers and Directors	46/100th of 1%	N/A	43/100th of 1%
Number of Pages in Annual Report	66	56	64
Number of Pages Devoted to Gasoline Marketing	1-1/4	1-2/3	1/3

Number of SOHIO Gasoline Stations in the United States:

12-31-82	2,200
12-31-81	2,300
12-31-80	2,300
12-31-79	2,600
12-31-76	3,300
12-31-71	3,500

What the Sohio 10K Says About Gasoline Marketing

Marketing

Sohio is, and for many years has been, the leading marketer of gasoline and other refined petroleum products in Ohio, under the trade name "Sohio". Sohio also markets such products under the trade name "Boron", principally in central and western Pennsylvania, and to a limited extent in areas of Michigan, Kentucky, West Virginia and Indiana adjacent to Ohio. In addition, Sohio markets refined petroleum products under the trade names "BP", "Gibbs", "Scot" and "Wm. Penn"

Excerpt from 10K, page 6

through retail outlets in eastern markets north of North Carolina. The trade name "Gas & Go" is used in connection with retail outlets in southeastern Michigan.

Throughout its marketing area, Sohio supplies directly (other than through jobbers) a total of approximately 2,200 retail outlets. More than half of these outlets are operated by employees of Sohio, the others through independent dealers. Sohio markets automotive petroleum products through full service, limited service and self-service facilities. It also operates gasoline and car wash facilities and specialized car care facilities and has opened, on a selective basis, convenience stores at certain of its facilities. Sohio also supplies refined petroleum products to industrial, commercial, governmental and agricultural accounts.

The principal petroleum products manufactured and marketed by Sohio are gasoline, motor oils, lubricants, diesel fuel, jet fuel, heating oils, kerosene, industrial oils, residual fuel and coke. The Company also markets tires, batteries and automotive accessories through many of the retail outlets it supplies.

Excerpt from 10K, page 7

Petroleum Trading, Transportation, Refining, and Marketing

Sohio Oil Company is involved in the distribution, through sale or exchange, of Sohio's crude oil production from Alaska. It transports crude oil and crude oil products by pipeline and marine operations. It operates two refineries in Ohio and one in Pennsylvania and is both a retail and wholesale marketer of Sohio's refinery products.

Page 1

2. *Sohio continued to convert to self-service retail outlets to improve marketing efficiency.*

Page 2

Retail Marketing

Conversion of conventional full-service stations to self-serve outlets continued in 1982 in recognition of the public's growing preference for this type of service and as part of an ongoing effort to improve petroleum product marketing efficiency. In western Pennsylvania about 50 BP outlets under the BP brand were converted to gasoline-only self-service, similar to the BP pattern used on the East Coast. In addition, all Michigan company-operated Boron stations were converted to the Gas & Go brand. In Sohio's primary market, the State of Ohio, over 60 percent of total Sohio retail gasoline volume is self-serve.

Page 4

As marketers are faced with reduced gasoline demand and rising expenses, changes are taking place in the way petroleum products are marketed. Most notable is the move by many marketers to consolidate operations and to reduce or eliminate credit card costs.

The move toward consolidation is a recognition by each marketer that it has a market share in each market below which it is uneconomical to continue. In 1982 three major brand marketers withdrew entirely from the Ohio market.

Some marketers have eliminated credit cards or have retained the cards but added a charge for their use. Sohio continues to offer credit cards, without additional charge, in its primary market. On the East Coast, where our marketing style is quite different, we have not had credit cards for many years.

[redacted]

	1980	1981	1982
Sales	$8,671,000,000	$9,733,500,000	$18,907,000,000
Earnings	379,016,000	343,100,000	361,000,000
Number of Employees	15,247	N/A	119,987
Return on Average Shareholder's Equity	21.0%	16.6%	Loss
United States Motor Gasoline Sales as a Percentage of Marathon Worldwide Sales (by Barrels)	53.7%	50.9%	54.7%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	5	No Pictures	1
On Shore Oil Rigs	—	Proxy Statement Only	1
Refineries	4		None
U.S. Gasoline Pumps	2		None
Gasoline Station Employees	2		None
Coal Mines	None		None
Corporate Citizenship	None		2
Research	—		1
Background of Chief Executive	Petroleum Engineer	Petroleum Engineer	Petroleum Engineer
Percentage of Company Stock Owned by Corporate Officers and Directors	8/10th of 1%	63/100th of 1%	63/100th of 1%
Number of Pages in Annual Report	52	—	56
Number of Pages Devoted to Gasoline Marketing	2	1/2	

Number of Marathon Oil Gasoline Stations in the United States:

12-31-82	2,998
12-31-81	2,903
12-31-80	2,789
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

What the US Steel (Marathon) 10K Says About Gasoline Marketing:

Marketing

Wholesale distribution of total products from crude oil to private brand marketers and to large commercial and industrial consumers, primarily in the Midwest and Southeast, accounts for about 72% of Marathon's domestic marketing volume.

As of December 31, 1982, petroleum products were being distributed through 48 Marathon operated terminals, 376 Marathon brand bulk plants and 2,209 Marathon brand retail outlets. These retail outlets are located principally in the states of Ohio, Michigan, Illinois, Indiana and Kentucky. Most of Marathon-branded light petroleum products are sold to independent full-service dealers, distributors and jobbers.

Retail sales of gasoline and motor fuel are also made through limited service and self-service stations which are operated by a wholly owned subsidiary under the brand names "Bonded", "Speedway", "Gastown", and "Consolidated". Subsidiary companies also operate bulk plants for the distribution of propane and distillates to residential heating and industrial consumers. As of December 31, 1982, these subsidiaries distributed products through 789 retail outlets and 36 bulk plants.

Excerpt from 10K, Marketing, page 13

Oil and Gas

Includes Marathon Oil Company, its principal subsidiary, Marathon Petroleum Company, and other subsidiaries. Marathon is a major domestic oil company with significant international operations, and is actively involved in petroleum exploration, production, refining and the distribution and marketing of petroleum products.

Marathon Oil's operating income (before foreign income taxes) for the year was $1.2 billion, compared with a pre-acquisition income in 1981 of $1.3 billion.

Marathon is predicting an increase in 1983 in oil demand in the United States, following four consecutive years of decline. Most of this increase is related to the U. S. economy's appetite for energy during a recovery. Although that recovery is expected to be moderate in 1983, Marathon anticipates the availability and price of oil should enhance its use.

Page 8

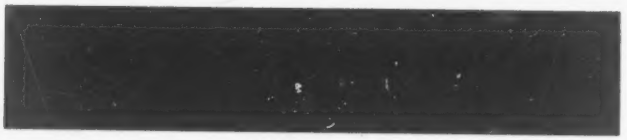
Flexible Refining and Marketing System

Marathon operates a closely knit and flexible system of refining, distributing and marketing facilities. The company's four U. S. refineries have a combined capacity of 588,000 barrels of crude oil per day, ranking it ninth in refining capacity in the United States.

Over the past several years, the company has conducted an extensive refinery modification program. As a result, Marathon is capable of producing unleaded gasoline at a rate far in excess of the industry average and can, if required, switch the entire production of gasoline from its two largest refineries — Garyville, La., and Robinson, Ill. — to unleaded products.

Meanwhile, Marathon continues to improve its competitive position in its present branded retail and wholesale marketing area of Illinois, Indiana, Kentucky, Ohio, Michigan and Wisconsin, and its unbranded wholesale marketing area in the southeastern states from Virginia to Texas.

Page 52



	1980	1981	1982
Sales	$13,712,900,000	$16,288,000,000	$15,892,000,000
Earnings	1,070,000,000	879,000,000	646,000,000
Number of Employees	32,400	34,500	29,600
Return on Average Shareholder's Equity	23.8%	16.9%	11.4%
United States Motor Gasoline Sales as a Percentage of Phillips Worldwide Sales (by Barrels)	42.0%	41.7%	42.1%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	6	8	5
On Shore Oil Rigs	—	3	4
Refineries	3	4	2
U.S. Gasoline Pumps	None	None	1
Gasoline Station Employees	None	None	None
Coal Mines	None	1	None
Corporate Citizenship	3	3	1
Research	—	4	4
Background of Chief Executive	Finance	Finance	Finance
Percentage of Company Stock Owned by Corporate Officers and Directors	7.8%	8.3%	8.2%
Number of Pages in Annual Report	76	77	72
Number of Pages Devoted to Gasoline Marketing	1/2	1-1/3	2/3

Number of Phillips Gasoline Stations in the United States:

12-31-82	13,900
12-31-81	13,900
12-31-80	12,805
12-31-79	13,500
12-31-76	17,700
12-31-71	N/A

What the Phillips 10K Says About Gasoline Marketing:

Marketing

In the United States, the company markets refined petroleum products under the Phillips 66 trademark with its highest market concentration in the Midwest. Gasoline and other refined products, as well as tires, batteries and automotive accessories manufactured by others, are distributed in the United States through approximately 13,900 service stations, bulk distributing plants and marinas. Of these, Phillips owns or leases approximately 900 service stations and bulk plants--the majority of which are leased. In 1981 distribution was made through approximately 14,300 service stations, bulk distributing plants and marinas. Phillips is one of the leading suppliers of aviation gasoline and turbine fuel to the private sector of the market.

Petroleum product sales in the United States during 1982 averaged 461,000 barrels a day, compared with 446,000 barrels a day in 1981.

Excerpt from 10K, Marketing, page 10

This Phillips station in Salt Lake City is typical of a growing trend toward one-stop shopping at service stations. Here, motorists can fill their cars, have them washed and buy groceries at one convenient location.

Page 20

Marketing

Phillips sales volumes were 3 percent higher for automotive gasoline and about the same for distillates in 1982, compared with 1981.

Phillips average wholesale prices at the end of 1982 were 13 cents a gallon lower for automotive gasoline and 11 cents a gallon lower for distillates, compared with the end of 1981. Margins improved slightly as a result of processing lower cost crude oils.

Because of increased demand, the company extended sales of premium unleaded gasoline to 16 states located within its 35-state marketing area.

Early in the year, Phillips initiated a policy of terminal pricing on branded gasoline. Terminal pricing means setting one price at each terminal for a given class of trade, rather than pricing on a delivered basis.

In September Phillips instituted a 3 percent processing fee on credit card invoices submitted to the company by jobbers (independent wholesalers) and dealers. Jobbers and dealers represent 92 percent of all Phillips motor fuel sales. The processing fee action was taken to minimize the rising costs of credit card operations.

PHILLIPS PETROLEUM COMPANY
BARTLESVILLE, OKLAHOMA 74004 918 661-6600

PETROLEUM PRODUCTS GROUP
Marketing Division

May 19, 1983

Mr. John F. Roscoe
Gasoline Marketing Survey
P. O. Box 886
Benicia, California 94510

Dear Mr. Roscoe:

In response to your letter of May 3, 1983, we are submitting information on Phillips marketing and strategies to be included in your annual report, "What Do The Top 25 Oil Companies Have To Say About Gasoline Marketing".

We appreciate the opportunity to be included in your survey and hope this information will be useful.

Very truly yours,

G. S. Page, Director
Planning & Economics

GSP/lv
Encl.

Phillips began selling gasoline to the public through a salaried station in 1927. In time, salaried stations began to give way to dealers and consignees. Then, the logic of jobber operations became apparent and we changed our marketing program to build this type of operation.

There are several reasons why we have chosen to sell mainly through jobbers.

First, jobbers adapt quickly to the requirements of their local market... which gives us a marketing flexibility that would otherwise be difficult to achieve.

Secondly, our capital requirements are greatly reduced which allowed us to expand our marketing efforts more efficiently.

Thirdly, jobbers act as an extension of our marketing arm...which allows us to hold our Marketing field personnel to a minimum without sacrificing quality service.

Finally, while Phillips markets in 35 states, much of our volume is sold into the "Bread Basket" sections of the U.S. and the jobber can best serve the customer in rural and farming areas.

Today, approximately 95% of our products are sold through almost 1700 jobbers. As for the future, although we see our jobber network remaining our dominant method of distribution, we realize there is probably no one right way to sell gasoline in today's market, but instead a variety of strategies to meet specific objectives.

As we pursue our marketing strategies of balancing sales with production and emphasizing sales of our higher margin products, we will be cognizant of the real need to develop better marketing techniques. We cannot assume that if product is available people will line up to buy it. Today's market is so competitive that we must and will learn new sales techniques.

Still, one of our main objectives is to continue having our jobbers feel that Phillips "is a good company to do business with". Our intent is to maintain our viable, major brand position in the eyes of our jobbers as well as the consumer.

[redacted]

	1980	1981	1982
Sales	$10,472,500,000	$11,296,200,000	$10,899,100,000
Earnings	647,000,000	791,400,000	804,000,000
Number of Employees	17,995	19,399	20,035
Return on Average Shareholder's Equity	20.1%	20.8%	18.2%
United States Motor Gasoline Sales as a Percentage of Union Worldwide Sales (by Barrels)	60.0%	59.6%	58.2%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	3	3	4
On Shore Oil Rigs	—	1	None
Refineries	1	1	1
U.S. Gasoline Pumps	None	1	1
Gasoline Station Employees	None	None	None
Coal Mines	None	None	2
Corporate Citizenship	2	None	None
Research	—	1	3
Background of Chief Executive	Chemical Engineer	Chemical Engineer	Chemical Engineer
Percentage of Company Stock Owned by Corporate Officers and Directors	63/100th of 1%	64/100th of 1%	59/100th of 1%
Number of Pages in Annual Report	40	41	42
Number of Pages Devoted to Gasoline Marketing	1/4	3/4	1

Number of Union Gasoline Stations in the United States:

12-31-82	12,700
12-31-81	12,500
12-31-80	12,300
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

[redacted]

Domestic Petroleum Marketing

Union's products are distributed in 48 states under the "Union 76" trade name. Marketing was conducted through approximately 700 wholesale marketing and bulk distributing stations and about 12,700 service stations and other retail outlets at the end of 1982 including approximately 400 truckstops, many of which have both truck and passenger car service. Substantially all service stations and other retail outlets, including units owned and leased by Union, are operated by independent dealers. The wholesale marketing stations distribute products to the Company's retail outlets, sell to others for resale and sell directly to consumers. Through retail outlets, the Company also sells branded tires, batteries and other automotive accessories. Premium motor oils and greases are also marketed through wholesale distributors and to independent marketers throughout the U.S. and in many foreign countries.

Excerpt from 10K, Domestic Petroleum Marketing, page 7

Union expanded its chain of Self-Serve/ Marts in 1982 including this new outlet in Atlanta (above).

Page 14

Higher refining and marketing earnings were due to improved margins as decreased selling prices were more than offset by lower raw material and product purchase costs. Additionally, operating costs were lowered.

Page 21

The principal factors contributing to this earnings performance were improved refining and marketing margins, increased earnings from our Korean affiliate and higher investment and energy tax credits generated by the construction of our shale oil project in Colorado.

Page 2

Excerpt from the Annual Report of Union Oil Company, December 31, 1982

Refining and Marketing

Union 76 Division

In 1982, the Union 76 Division realized its highest earnings in company history. Improving both its margins and its market share, the division set its earnings record despite intense retail service station price competition, which started in the fourth quarter, and lower industry demand for products.

In marketing, Union continued to emphasize attention to the customer in 1982, offering full and self-service gasoline islands, Auto/Truckstops, quality products, the industry's leading automotive repair program, and credit cards.

We increased the number of Union 76 retail outlets offering automotive diesel fuel by about 12 percent. Currently, nearly 1,000 locations displaying the Union brand offer diesel fuel. And in response to demand created by the increased use of kerosine home heaters, we began selling 1K grade kerosine in transport load quantities to jobbers in the eastern region.

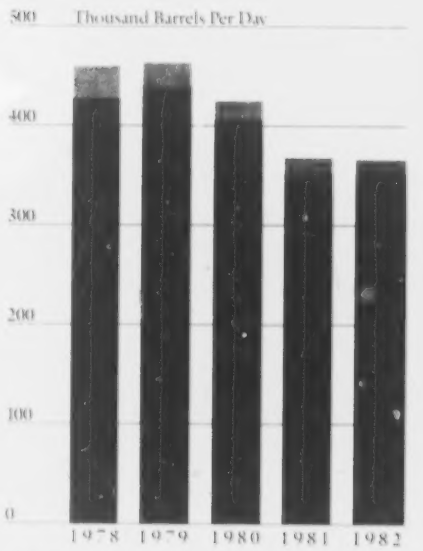
Union added new Auto/Truckstops in Arizona, Minnesota and New York in 1982. We are the industry leader in this business with more than 400 truckstops nationwide.

We expanded our chain of Self-Serve/Marts during 1982 with new outlets in Atlanta, Cleveland and Birmingham. We currently have 75 Self-Serve/Marts in the south and midwest with more planned.

In the west, Union is the only major marketer offering a leaded premium gasoline. Sales of this product account for nearly one-third of our retail gasoline sales in the western ...ates.

The PROTECH guaranteed automotive service program, inaugurated in 1981 in San Diego, expanded into the Seattle and San Francisco Bay areas this year. Training has started for Los Angeles area dealers and the program should be available throughout the west later in 1983. The program gives customers a written guarantee on automotive repair work done by participating Union 76 dealers. The guarantee is honored at all PROTECH locations.

Petroleum Product Sales



We have continued to offer our credit card and promote its use. At year end, we had more than four million accounts, an increase of more than 20 percent over 1981. During the year our credit card center in San Francisco processed approximately 100 million transactions amounting to $2.1 billion in sales.

Page 15

Union 76 Division

Union Oil Company of California
Union Oil Center, Box 7600, Los Angeles, California 90051
Telephone (213) 977-7019

W. S. McConnor
President

May 18, 1983

Mr. John F. Roscoe
Gasoline Marketing Survey
P.O. Box 886
Benecia, California 94510

Dear Mr. Roscoe:

You recently requested additional information about Union Oil Company's marketing activities from Mr. T. W. Matthews, our Eastern Region Vice President of Marketing. I am responding to your request.

The Union Oil Company of California was incorporated in the city of Santa Paula, California on October 17, 1980.

Directly or through subsidiaries, Union is engaged in all phases of the oil industry - exploration, production, transportation, refining and marketing - and in the manufacture, transportation and marketing of chemicals. The company mines, processes and markets molybdenum and rare earths and is the world's leading producer of geothermal energy. Union also is constructing the nation's first commercial shale oil project.

The Company's headquarters is Union Oil Center in downtown Los Angeles.

Union Oil's total assets are $8.5 billion, amounting to $424,800 per employee.

The shareowners' equity amounts to $4.7 billion.

Measured by its sales, Union Oil is the 14th largest oil company in the United States and the 28th largest industrial company.

The Union 76 Division, of which I am President, is responsible for the Union Oil Company's refining, marketing and transportation activities.

There are two regions within the division. The Eastern Region, with headquarters in Schaumburg, Illinois and the Western Region headquartered in Los Angeles, California. Each region is managed by a Senior Vice-President, assisted by a Vice-President of Refining and a Vice-President of Marketing.

Union Oil owns and operates five refineries located near Los Angeles, San Francisco and Santa Maria, California, Chicago, Illinois and Beaumont, Texas.

Rated capacity of our refinery crude oil processing units is 490,000 barrels per day. Input to crude oil processing units averaged 363,900 barrels a day of crude oil and other materials in 1982.

Sales of petroleum products averaged 364,200 barrels per day during 1982.

We market through approximately 12,700 service stations and other branded retail outlets in 44 states.

Virtually all of these outlets, including company-owned and leased service stations, are operated by independent dealers. Many of these outlets also market Union 76 branded tires and other automotive accessories manufactured to exacting company specifications.

We also market through 420 jobbers. Most of these jobber operations are located within the boundaries of the Eastern Region.

Union is the industry leader in service to the trucking industry with approximately 400 truckstops. Nearly 150 Auto/Truckstops located on interstate highways provide full service to both trucks and passenger cars.

To support our jobbers and dealers, we put a great deal of emphasis on training. Our training programs are intensive and cover all facets of service station operation. Specialized courses that emphasize automotive service such as tune-up, air conditioning, wheel alignment, brake service and emission control are also provided.

Our goal is to continue offering quality products at fair prices, to offer consumers the option of purchasing on credit, and to encourage our jobbers and dealers to provide prompt,

courteous service to customers who look to the sign of the 76 for their automotive needs.

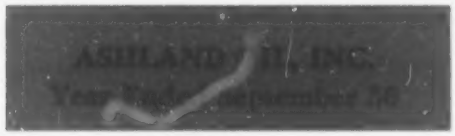
Obviously, we adjust our grade offerings to the tempo of the times and the cars that are on the road to be fueled. As you know, there are at least four distinct qualities of gasolines offered today and some minor additional variations of these grades. We don't believe it is economically prudent to offer all grades at each of our many outlets, but do tailor our offerings in geographical areas to what we believe best serve the requirements of that area. Actually, we feel confident that our offerings will satisfy 90% of the cars on the road.

Thank you for your interest in Union Oil Company.

Very truly yours,

W. S. McConnor

WSM/ksb



	1980	1981	1982
Sales	$8,366,000,000	$9,506,000,000	$9,110,000,000
Earnings	205,000,000	90,000,000	181,000,000
Number of Employees	24,600	34,000	30,600
Return on Average Shareholder's Equity	19.1%	9.6%	17.9%
United States Motor Gasoline Sales as a Percentage of Ashland Worldwide Sales (by Barrels)	43.5%	45.5%	50.8%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	3	None	1
On Shore Oil Rigs	—	1	2
Refineries	4	3	4
U.S. Gasoline Pumps	1	1	1
Gasoline Station Employees	None	None	None
Coal Mines	3	3	3
Corporate Citizenship	None	1	None
Research	—	1	1
Background of Chief Executive	Lawyer	Chemical Engineer	Chemical Engineer
Percentage of Company Stock Owned by Corporate Officers and Directors	1.95%	2.28%	2.19%
Number of Pages in Annual Report	68	65	68
Number of Pages Devoted to Gasoline Marketing	1	1-1/4	1-2/3

Number of Ashland Gasoline Stations in the United States:

9-30-82	2,200
9-30-81	2,200
9-30-80	2,437
9-30-79	2,400
9-30-76	2,700
9-30-71	N/A

What the Ashland 10K Says About Gasoline Marketing

Marketing of Petroleum Products

Ashland's principal marketing area for gasoline and fuel oils includes the Ohio River Valley and the upper Midwest, the Great Lakes, the middle Atlantic States, the East Coast and a portion of the southeastern United States. In addition to gasoline and fuel oils, Ashland also manufactures and markets liquified petroleum gas, asphalt and asphaltic products, pitch, base lube stocks, kerosene, petrochemicals, jet and ordnance fuels.

The major portion of Ashland's production of gasoline, kerosene and light fuel oils is sold at wholesale to railroads, coal mines, river towing companies, commercial fleet operators, governmental agencies, the aviation and airline industries, and distributors and independent jobbers who resell through several thousand outlets primarily under their own names.

Petroleum product sales under the Ashland brand name and various other brand names are made throughout most of Ashland's marketing area. Sales under the Ashland brand name are made through 150 bulk plants and approximately 1,600 retail outlets. In addition, Ashland controls and operates 600 stations under various brand names which include approximately 300 high volume station/store outlets.

Ashland experiences intense competition at both wholesale and retail levels in the sale of its petroleum products from a variety of sources, including major oil companies, independent refiners, brokers and resellers.

Excerpt from 10K, Marketing, page 4

industry to continue for the next several years. We anticipate that short-term crude oil gluts may be created as producing nations compete to supply larger shares of the world's petroleum needs. These gluts may be followed by short-term shortages triggered by political disruptions in the crude oil marketplace. In this volatile environment, our strategy will be to reduce the risks by concentrating our efforts in those markets where we can be the low-cost competitor. We have several recognized strengths in refining and marketing which will help us in this effort. Our primary marketing areas are regional in nature, and our refineries are strategically located within them. Our Superamerica/Save Mart combination gasoline/retail stores have been highly successful, increasing sales of both gasoline and merchandise in 1982 despite flat demand for petroleum products. This year's acquisition of Tresler Oil Company, a Cincinnati, Ohio, terminal operator and marketer, further enhances our competitive position in the Ohio Valley. Also, the start-up in early 1983 of our heavy oil processing complex using Ashland's RCC℠ Process will give us greater flexibility in crude oil selection and product yield while it reduces output of lower value products. Details of these accomplishments are described later in this report.

Page 3

Core businesses refer to Ashland's existing businesses which are critical to future profitability and which enjoy a strong competitive position. Refining and marketing petroleum products is the company's primary core business. Core businesses have also been identified in other operating companies; chemical distribution and natural gas exploration and production are two examples. Ashland will continue to invest in its core businesses to assure their strong competitive position for the future. At the same time, an on-going review of operations will identify those businesses which cannot earn an adequate rate of return under even the most favorable circumstances. These unprofitable operations will be divested, and the resulting cash applied toward strengthening financial position, a second major element in Ashland's corporate strategy.

Page 6

Excerpt from the Annual Report of Ashland Oil, September 30, 1982

Ashland is confident that its basic refining and marketing business will be profitable for many years. In the past five years, Ashland has made very large investments in petroleum refining and marketing to strengthen its competitive position in this business. The last two

Page 7

Marketing

Ashland markets its petroleum products to wholesale, retail and industrial customers. The major portion of its gasoline is sold to distributors and independent jobbers who resell through several thousand outlets, primarily under their own names. Kerosene and light fuel oil production is sold at wholesale to railroads, river towing companies, commercial fleet operators, governmental agencies, the airline and aviation industries, and independent marketers. The acquisition in 1982 of Tresler Oil Company, a Cincinnati, Ohio, terminal operator and marketer, further strengthened Ashland Petroleum's marketing and distribution network and its ability to serve its traditional Ohio River market.

Ashland Petroleum's marketing efforts are enhanced by the success of its combination gasoline/merchandise retail stores. Concentrated in the Upper Midwest and Central Ohio Valley, these stores operate under the Superamerica and Save Mart brand names. Despite intense competitive pressures and depressed gasoline demand in fiscal 1982, these groups experienced a significant increase in sales of both merchandise and gasoline.

Page 14

Excerpt from the Annual Report of Ashland Oil, September 30, 1982

The successful Superamerica/Save Mart program offers consumers a mix of competitively priced food and other frequently purchased items as well as gasoline and automotive products. Ashland Petroleum was a pioneer in developing this concept and continues to modify it in order to stay in the forefront of a rapidly changing market. New stores were added in fiscal 1982 in an expansion program that will continue in 1983. Ashland also operates other high-volume retail stations under various brand names. Although these were

Page 14

Ashland's Superamerica and Save Mart retail outlets offer consumers a mix of food and other items as well as gasoline and automotive products.

Page 15

DUPONT (CONOCO)
Year Ended December 31

	1980	1981	1982
Sales	$18,766,300,000	N/A	$33,331,000,000
Earnings	1,026,200,000	N/A	894,000,000
Number of Employees	41,500	N/A	165,013
Return on Average Shareholder's Equity	24.5%	13.7%	8.4%
United States Motor Gasoline Sales as a Percentage of Conoco Worldwide Sales (by Barrels)	30.5%	30.0%	30.6%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	3	2	2
On Shore Oil Rigs	—	1	None
Refineries	1	1	1
U.S. Gasoline Pumps	None	None	None
Gasoline Station Employees	None	None	None
Coal Mines	3	3	2
Corporate Citizenship	1	3	1
Research	—	—	3
Background of Chief Executive	N/A	N/A	Chemistry
Percentage of Company Stock Owned by Corporate Officers and Directors	29/100th of 1%	N/A	25.2%
Number of Pages in Annual Report	60	124	72
Number of Pages Devoted to Gasoline Marketing	1/4	1	1/3

Number of Conoco Gasoline Stations in the United States:

12-31-82	5,489
12-31-81	5,708
12-31-80	5,605
12-31-79	5,275
12-31-76	6,619
12-31-71	8,121

What the Dupont 10K Says About Gasoline Marketing:

In the United States, the company sells refined products at retail in 41 states, primarily under the "Conoco", "Kayo", "Fast Gas", "Fasgas", "Econo", and "Jet" brands. Refined products are also sold at retail in the United Kingdom under the "Jet" and "Globe" brands; in Austria, the Federal Republic of Germany, Ireland, and Sweden under the "Jet" brand; and in Belgium and Luxembourg under the "Seca" brand.

Excerpt from 10K, Petroleum Refining, Marketing & Transportation, page 9

What the Dupont Annual Report Says About Gasoline Marketing:

7. PETROLEUM REFINING, MARKETING AND TRANSPORTATION

Activities involve supplying feedstocks to the company's refineries and natural gas processing plants, manufacturing higher-value petroleum products, and distributing these products to a wide variety of consumers and resellers, and to other company facilities for further upgrading. Principal petroleum products include gasoline, jet fuel, diesel fuel, heating oil, fuel oil, asphalt, petroleum coke, natural gas liquids and chemical feedstocks, sold mainly in the United States and Western Europe.

Page 4

Gasoline and middle distillate sales rose despite lower industry demand, reflecting the company's improved competitive position and greater opportunities for profitable sales in the spot market.

Sale of Assets. During 1982, a number of domestic refining, marketing and transportation assets were sold.

Page 22

During the past year, this segment took a number of steps designed to augment the company's cash flow while further improving operating efficiency. These actions included a reduction of approximately 10 million barrels, or 21 percent, in worldwide crude oil and refined product inventories; the sale of selected refining, marketing and transportation assets; a significant reduction in outstanding receivables; and a reduction in work force of approximately 10 percent. These measures improved the company's financial position by approximately $400 million.

Capital expenditures totaled $350 million in 1982, compared with pro forma combined expenditures of $339 million in 1981 (excluding merger-related acquisitions), largely reflecting continued work on the sour crude conversion project at the Lake Charles, La., refinery, scheduled for completion in late 1983. Significant investments were also made to increase capacity for premium unleaded gasoline and premium grade petroleum coke, both high-value products. Marketing expenditures focused on adding high-volume retail outlets in growing urban areas and modernizing existing facilities.

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Excerpt from the Annual Report of Dupont, December 31, 1982

C. F. Luberger
Manager
Research and Economics
Marketing Department

Continental Oil Company
P. O. Box 2197
Houston, Texas 77001

May 24, 1983

John F. Roscoe
Gasoline Marketing Survey
P.O. Box 886
Benicia, California 94510

Dear Sir:

Your request for information on the Conoco Marketing Department dated May 3, 1983, addressed to Mr. D. R. Clark, Vice President North American Marketing, has been referred to me for a reply.

We believe material contained in the Du Pont Annual Report for 1982, pages 21-23, would be suitable for your use.

A copy of the report is enclosed for your convenience.

Very truly yours,

C. F. Luberger

C. F. Luberger
Manager
Research & Economics
Marketing Department

CFL/ECM/A70
Enclosure

Note attached to letter.

CFL

Is there any reason to change from last years procedure?

R

pp21-23

These notes were received along with copies of the 1981 and 1982 Gasoline Marketing Survey:

CFL - Can you help locate
[illegible]

Ltd -

I talked w/ CFL on this. He said he really didn't want to send them anything unless our people wanted to.

Attached is old file saying what we had sent.

RECEIVED
MAY 18 1983
C. F. LUBERGER

RWS

1. You asked to see attached report
2. A new report is in the mill. How should Conoco respond? CR 5-15-83

	1980	1981	1982
Sales	$7,442,000,000	$8,546,400,000	$18,212,226,000
Earnings	447,500,000	(49,200,000)	155,602,000
Number of Employees	18,900	20,200	54,000
Return on Average Shareholder's Equity	19.9%	LOSS	5.6%
United States Motor Gasoline Sales as a Percentage of Occidental—Cities Service Worldwide Sales (by Barrels)	54.9%	58.0%	56.5%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	1	1	1
On Shore Oil Rigs	—	1	1
Refineries	1	2	None
U.S. Gasoline Pumps	1	1	None
Gasoline Station Employees	None	None	None
Coal Mines	1	None	None
Corporate Citizenship	None	None	None
Research	—	3	None
Background of Chief Executive	Engineering	Engineering	Art Dealer
Percentage of Company Stock Owned by Corporate Officers and Directors	50/100th of 1%	50/100th of 1%	6.42%
Number of Pages in Annual Report	48	56	76
Number of Pages Devoted to Gasoline Marketing	1	1-1/4	1/3

Number of Occidental—Cities Service Gasoline Stations in the United States:

12-31-82	5,000
12-31-81	5,784
12-31-80	5,300
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

[redacted]

Marketing

Petroleum products are marketed under the CITGO brand in 30 states to wholesale, commercial and industrial customers. Approximately 5,000 retail outlets are supplied on a direct basis or through distributors, 350 of which are Company operated Quik Marts. In addition, there are a number of retail outlets supplied on an unbranded basis. Approximately 75 percent of total gasoline volume is sold through distributors who share the Company's marketing strategy of self service, high unit volume convenience store type outlets.

Excerpt from 10K, Marketing, page 8

[redacted]

MARKETING. Petroleum products are marketed under the CITGO brand in 30 states to wholesale, commercial and industrial customers. Approximately 5,000 retail outlets, 350 of which are Quik Marts operated by Cities Service, are supplied on a direct basis or through distributors. Additional retail outlets are supplied on an unbranded basis. Approximately 75 percent of total gasoline volume is sold through distributors who share Cities Service's marketing strategy of self service, nigh unit volume, convenience-store-type outlets.

Lubricant sales include more than 350 types and grades of automotive and industrial lubricants and waxes. Sales for the higher valued finished lubricants account for 62 percent of total lubricant sales in 1982. Cities Service maintains purchase and resale arrangements with major tire, battery and accessory manufacturers.

Excerpt from 10K, page 13

Occidental is a major force in domestic refining, marketing, and transportation.

Page 2

1952
Cities captures an early corner of the retail gasoline market in the northeastern United States, becoming the sole gasoline marketer on the New Jersey turnpike when it opens.

Page 9

1965
The CITGO brand name is introduced throughout Cities' marketing territory. Net income exceeds $100 million, a company record.

1972
Cities develops Quik Marts, a modern version of the Mom-and-Pop corner store, supplying consumers with both gasoline and convenience items.

Page 9

Marketing
In spite of the declining refined products market, sales in 1982 were better than industry averages. Sales for all products were up 3 percent, while the industry average was down 5 percent. Gasoline sales were down about 1 percent, the same as the industry. Distillate sales were up nearly 1 percent, compared with an industry decline of 3.5 percent. Turbine fuel sales rose 27 percent, while industry sales declined 3 percent. Sales of coke and heavy fuels were up due to processing of more lower quality crudes. Cities signed 71 new wholesale distributor customers during the year.

Under the CITGO brand, Cities markets petroleum products through 5,000 retail outlets in 30 states; 350 of the outlets are Cities-operated Quik Marts. Quik Mart retail marketing operations continued to attract consumers, even in a declining market. Sales of petroleum products increased 13 percent, with merchandise sales up 20 percent.

Page 17

[redacted]

	1980	1981	1982
Sales	$10,320,953,000	$13,037,841,000	$12,311,612,000
Earnings	871,866,000	856,865,000	691,590,000
Number of Employees	17,318	19,100	19,718
Return on Average Shareholder's Equity	21.0%	18.0%	14.0%
United States Motor Gasoline Sales as a Percentage of Getty Worldwide Sales (by Barrels)	38.2%	37.5%	34.0%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	2	2	7
On Shore Oil Rigs	—	2	7
Refineries	3	4	3
U.S. Gasoline Pumps	2	1	2
Gasoline Station Employees	None	2	None
Coal Mines	1	3	None
Corporate Citizenship	None	1	1
Research	—	2	1
Background of Chief Executive	Business Administration	Business Administration	Business Administration
Percentage of Company Stock Owned by Corporate Officers and Directors	50.36%	59.68%	40.5%
Number of Pages in Annual Report	80	81	74
Number of Pages Devoted to Gasoline Marketing	2	1-1/2	1

Number of Getty Gasoline Stations in the United States:

12-31-82	4,772
12-31-81	5,071
12-31-80	5,787
12-31-79	6,381
12-31-76	7,085
12-31-71	N/A

Marketing Facilities

At December 31, 1982, Getty marketed its petroleum products in 29 states under the "Getty," "Mohawk," "Skelly" or "Surfco" trademarks, or unbranded. LPG was marketed under the "Skelgas" trademark in 15 states in the central United States through 136 direct marketing branches and 142 wholesale distributors. Fertilizer was marketed under the "Skelgro" trademark at 82 of these branches

Excerpt from 10K, Marketing Facilities, page I-16

At December 31, 1982, Getty owned or leased 974 service stations, 353 of which were operated by Getty. Branded gasoline was also sold through 1,028 dealers under contract and 2,492 jobber and distributor retail accounts. Getty owns or leases 30 bulk plants and terminals from which service station and consumer accounts were supplied.

Excerpt from 10K, Marketing Facilities, page I-17

Manufacturing, Marketing and Chemicals

Getty Refining and Marketing Company, a wholly owned subsidiary based in Tulsa, Oklahoma, operates refineries in Delaware City, Delaware; El Dorado, Kansas; and Bakersfield, California. The company markets petroleum products in 29 states. These products are branded with the Getty trademark in the northeast and in selected markets in the midcontinent states. The Skelly, Skelgas and Surfco trademarks also are used in the midcontinent. Products are sold under the Mohawk trademark in California and Arizona. Four wholly or partially owned Getty Oil Company chemicals subsidiaries produce and sell synthetic resins, high- and low-density polyethylene, nitrogen products and chemical fertilizers. Plants are in the United States and South Korea. The chemicals department is headquartered in Tulsa, Oklahoma.

Page 7

Marketing

As the demand for petroleum products declined in 1982, competition intensified among marketers and prices decreased. Getty Refining and Marketing Company responded with strategies to strengthen its regional market positions and attract customers. A rebranding program was initiated in several major markets, introducing the Getty trademark in place of Skelly and Surfco trademarks. The program is designed to enhance national awareness of the Getty trademark.

Getty Refining and Marketing sells its petroleum products in three regions, located in the northeastern, central and western United States. During 1982 gasoline sales totaled 1,825 million gallons, compared with 1,850 million gallons sold in 1981.

In the 11 northeastern states where products are sold under the Getty trademark, gasoline sales totaled 863 million gallons in 1982, compared with 840 million gallons in 1981. In July, 1982, a new unleaded gasoline with an 89 octane was introduced in the eastern region. It replaces a lower-octane, unleaded product.

Newly rebranded Getty service station in Colorado Springs, Colorado.

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In the 15-state central region, gasoline sales amounted to 804 million gallons in 1982, compared with 826 million gallons in 1981. During the year the Getty trademark was introduced in the Kansas City, Tulsa and Denver markets. The remaining retail outlets in Oklahoma were expected to be converted from the Skelly or Surfco trademark by March, 1983. The program may be expanded into other market areas in the central region following further evaluation.

In the western region, where Getty Refining and Marketing's products are sold in Arizona, California and Nevada, gasoline sales totaled 158 million gallons in 1982, compared with 184 million gallons in 1981. Most of the sales in California and some in Arizona were made under the Mohawk trademark.

On November 1, 1982, Getty Refining and Marketing discontinued its consumer credit card, replacing it with a program to encourage credit customers to use bank credit cards at company service stations. All Getty-operated service stations currently accept bank credit cards and, at year end, more than 98 percent of the company's independent marketers had agreed to accept the bank cards.

Branded gasoline products were sold through about 4,490 service stations during 1982. At year end approximately 970 of these retail stations were owned or leased by Getty Refining and Marketing, including about 350 that were company-operated. Products also were marketed through approximately 1,030 dealer-owned retail outlets and about 2,490 service stations owned or leased by jobbers or distributors. In addition Getty Refining and Marketing owned or leased 30 bulk plants and terminals which supplied service stations and consumer accounts with gasoline.

All Getty-operated stations now accept bank credit cards.

Page 25

Manufacturing, Marketing and Transportation

Pretax earnings from manufacturing, marketing and transportation operations totaled $147 million, a decrease of $46 million, or 24 percent. Refining and marketing operations were adversely affected by lower refined products sales prices and volumes.

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	1980	1981	1982
Sales	$2,387,241,000	$3,431,491,000	$3,465,964,000
Earnings	46,096,000	22,579,000	132,409,000
Number of Employees	3,055	3,170	3,100
Return on Average Shareholder's Equity	20.0%	9.0%	49.0%
United States Motor Gasoline Sales as a Percentage of Tosco Worldwide Sales (by Barrels)	65.0%	51.6%	49.3%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	None	None	None
On Shore Oil Rigs	—	1	1
Refineries	1	1	2
U.S. Gasoline Pumps	None	None	None
Gasoline Station Employees	None	None	None
Coal Mines	None	None	None
Corporate Citizenship	None	1	None
Research	—	1	1
Background of Chief Executive	Oil Manufacturing	Oil Manufacturing	Oil Manufacturing
Percentage of Company Stock Owned by Corporate Officers and Directors	9.1%	9.4%	10.5%
Number of Pages in Annual Report	48	41	56
Number of Pages Devoted to Gasoline Marketing	None	1/4	1

Number of Tosco Gasoline Stations in the United States:

12-31-82	1
12-31-81	0
12-31-80	46
12-31-79	102
12-31-76	N/A
12-31-71	N/A

What the Tosco 10K Says About Gasoline Marketing

Distribution of Petroleum Products

Tosco sells unbranded refined petroleum products to wholesale purchasers. Substantially all of Tosco's sales of gasoline and distillates are made to independent retailers, who compete in price with major oil company retail dealers. Other petroleum products are generally sold directly to ultimate industrial users of such products.

In 1981 and 1982, Tosco purchased for resale an average of approximately 30,710 and 51,100 barrels per day, respectively, of petroleum products from third parties.

Excerpt from 10K, Marketing, page 5

But as the fourth quarter proceeded, it became increasingly apparent that a new and wholly unexpected source of margin deterioration had arisen, despite reasonably balanced domestic oil inventories and demand. The source was an increasingly destructive change in gasoline pricing by some of the major companies, which, as 1982 ended and 1983 began, were widely pricing gasoline at wholesale at less than its cost, and on occasion less than the cost of most of the world crude oils required to manufacture it. The widespread impact was at its worst in West Coast markets.

There can be no doubt that the continuation of such extreme pricing behavior by the majors involved will extensively damage the vital independent segment of the market.

This largely unprecedented period evidently began when one major company announced that it would lower its costs by no longer extending credit on gasoline sales, and would therefore reduce its wholesale gasoline prices. But in a short time it became apparent that it was actually offering its branded gasoline in many locations at and often below the price of the lowest priced, most efficient independent marketers, whose costs of operations are the lowest in the industry.

As these events progressed, other majors adopted a variety of apparently related pricing changes. Initially all appeared to be linked to the lowered cost of sales without credit. But by year-end they too were offering gasoline for sale below its cost in a visible crazy-quilt of locations and markets.

Tosco is among the most efficient and competitive of refiners, and its principal customers are among the most cost efficient marketers in the nation. Competition is our business, and we have always welcomed it for the increase in efficiency and effectiveness it steadily produces. But below-cost sales from balanced inventories is not competition. It is an exercise not of efficiency but in raw economic power. We have little doubt that it does not reflect the seriously considered corporate policy of any of the major companies, and that it will—as it must—quickly come to an end.

Excerpt from the Annual Report of Tosco Corporation, December 31, 1982

When it does, we anticipate improvement in operating results, enhanced in the second half by the operation of Avon's major new refinery units and by the first impacts of economic recovery.

Morton M. Winston
President and Chief Executive Officer *February 10, 1983*

Page 5

Late in the fourth quarter of 1982 it became apparent that a new and unexpected source of refining margin deterioration arose as certain major integrated oil companies embarked on changed programs for pricing gasoline. In the resulting confusion in markets, product prices often were less than related manufactured costs, and at times were below the cost of crude oil. Tosco

believes that the purpose of the changed marketing practices may be an attempt by at least some major oil companies to increase their share of certain markets. The margin deterioration was worst in certain West Coast markets and Tosco markets more than half of its products on the West Coast. The fall in gasoline prices was coupled with relatively stable costs of crude oil, thus significantly reducing refining profitability. In spite of relatively stable inventories and sales volumes in the third and fourth quarters, gross profit on sales declined by $12.3 million, or 28%.

Page 54

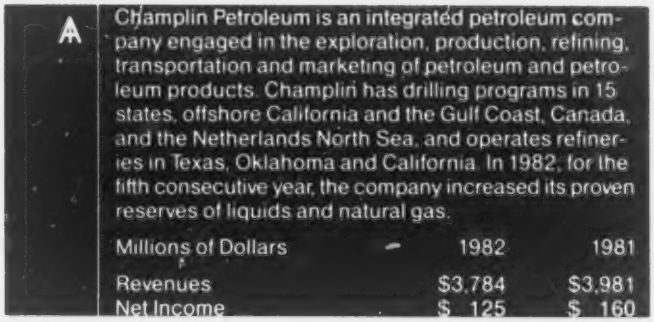
Excerpt from the Annual Report of Tosco Corporation, December 31, 1982

[redacted]

	1980	1981	1982
Sales	$2,602,252,000	$6,380,700,000	$5,877,400,000
Earnings	191,011,000	410,700,000	326,800,000
Number of Employees	N/A	31,869	47,400
Return on Average Shareholder's Equity	19.0%	13.9%	10.3%
United States Motor Gasoline Sales as a Percentage of Champlin Worldwide Sales (by Barrels)	N/A	N/A	N/A
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	1	1	2
On Shore Oil Rigs	—	3	3
Refineries	3	3	4
U.S. Gasoline Pumps	None	None	None
Gasoline Station Employees	None	None	None
Coal Mines	1	2	4
Corporate Citizenship	2	6	3
Research	—	None	1
Background of Chief Executive	Geologist	Geologist	Geologist
Percentage of Company Stock Owned by Corporate Officers and Directors	1%	1.19%	N/A
Number of Pages in Annual Report	48	50	52
Number of Pages Devoted to Gasoline Marketing	1/10 page	1/2 page	None

Number of Champlin Gasoline Stations in the United States:

12-31-82	850
12-31-81	863
12-31-80	850
12-31-79	900
12-31-76	N/A
12-31-71	N/A



Champlin Petroleum is an integrated petroleum company engaged in the exploration, production, refining, transportation and marketing of petroleum and petroleum products. Champlin has drilling programs in 15 states, offshore California and the Gulf Coast, Canada, and the Netherlands North Sea, and operates refineries in Texas, Oklahoma and California. In 1982, for the fifth consecutive year, the company increased its proven reserves of liquids and natural gas.

Millions of Dollars	1982	1981
Revenues	$3,784	$3,981
Net Income	$ 125	$ 160

Page 2

Excerpt from the Annual Report of Union Pacific Corporation (Champlin Petroleum), December 31, 1982

Union Pacific Corporation

Charles N. Olsen
Secretary

May 19, 1983

Mr. John F. Roscoe
Picture Perfect
1765 Park Road
P.O. Box 886
Benicia, California 94510

Dear Mr. Roscoe:

In response to your letter of April 25th, I am pleased to enclose a copy of Union Pacific Corporation's 1982 Annual Report on Form 10-K filed with the Securities and Exchange Commission, Exhibit 1 of which is the Corporation's 1982 Annual Report to Stockholders.

Yours very truly,

C. N. Olsen

345 Park Avenue New York, NY 10154

[redacted]

	1980	1981	1982
Sales	$5,115,368,000	$5,925,500,000	$5,817,500,000
Earnings	109,500,000	(96,399,000)	(65,600,000)
Number of Employees	6,942	7,215	6,459
Return on Average Shareholder's Equity	18.7%	LOSS	13.0%
United States Motor Gasoline Sales as a Percentage of Coastal Worldwide Sales (by Barrels)	N/A	N/A	
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	None	None	None
On Shore Oil Rigs	—	3	3
Refineries	1	3	4
U.S. Gasoline Pumps	1	None	None
Gasoline Station Employees	None	None	None
Coal Mines	3	1	1
Corporate Citizenship	None	None	None
Research	—	None	None
Background of Chief Executive	Mechanical Engineer	Mechanical Engineer	Mechanical Engineer
Percentage of Company Stock Owned by Corporate Officers and Directors	7.6%	8.1%	8.4%
Number of Pages in Annual Report	52	53	48
Number of Pages Devoted to Gasoline Marketing	2/3	2-1/2	1/4

Number of Coastal Gasoline Stations in the United States:

12-31-82	511
12-31-81	565
12-31-80	550
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

DOMESTIC MARKETING

Refined Products Marketing

Sales of refined products from Coastal's domestic refineries amounted to 48.4 million barrels in 1982, compared with 70.4 million barrels the year before. The total 1982 output consisted of about 35% gasoline, 35% middle distillates such as diesel, jet fuel and home heating oil, and 30% heavy industrial fuels and other products. In addition, Coastal's domestic marketing units sold 26.1 million barrels of products purchased from other suppliers.

Derby markets branded gasoline through 511 service stations in 12 midwestern states. Of these, 305 are owned by independent jobbers. The remaining 206 are owned by Derby. The number is down from 565 in 1981, as the Company continued phasing out older, low-volume stations. Most Derby stations are located in Kansas, Missouri, Nebraska, Iowa and Illinois.

The refined products from the Corpus Christi refinery are marketed by Coastal States Marketing, Inc. ("Marketing"), a Coastal subsidiary. Products are sold at wholesale in the Corpus Christi area, are moved through the refined product pipelines of another Coastal subsidiary to San Antonio, McAllen and Houston or are shipped to other markets. Customers include resellers, independent marketers, other refining companies and end-users, such as chemical manufacturers. Marketing also conducts domestic and foreign refined product trading activities.

Coastal's four marketing subsidiaries, Belcher Oil Company, Belcher New England, Inc., Belcher New Jersey, Inc. and The Belcher Company of New York, Inc. (the "Belcher Companies"), which have a refined products distribution network along the East and Gulf coasts, are marketers of heavy fuel oil and distillates as well as asphalt, jet fuel, gasoline, lubricating oil and liquefied petroleum gas. The Belcher Companies sell products obtained from Coastal's refineries, as well as products purchased from others, in a market area which includes the East Coast, the Gulf Coast and other states through facilities on the Mississippi River. Sales in 1982 totaled 63.6 million barrels, compared to 60.3 million barrels in the prior year. No single customer accounts for more than 10% of the sales of these subsidiaries.

The Belcher Companies rely on affiliates and other companies for their supply of refined products. At the present time, more than half of its requirements are fulfilled through contractual arrangements with major oil companies. Affiliates provide petroleum products at spot wholesale market prices on a non-contractual basis and purchases are made on the spot market. Due to Belcher's large storage capacity, it has been able to avail itself of favorably-priced product from the spot market.

Excerpt from 10K, Domestic Marketing, page 22

Coastal units market refined products and liquefied petroleum gas at wholesale throughout most areas of the United States. Retail marketing is concentrated principally in the Midwest, where Derby Refining Company has 511 branded gasoline outlets, and on the Gulf and East Coasts, where Belcher Oil Company units serve home, industry and marine energy needs. Other Coastal units market crude oil and refined petroleum products on a worldwide basis.

Coastal's refining and marketing business continues to be affected by the worldwide economic recession and volatile price movements in both crude oil and refined products.

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Refined Products Marketing

Sales of refined products from Coastal's domestic refineries amounted to 48.4 million barrels in 1982, compared with 70.4 million barrels the year before. The total 1982 output consisted of about 35% gasoline, 35% middle distillates such as diesel, jet fuel and home heating oil, and 30% heavy industrial fuels and other products. In addition, Coastal's domestic marketing units sold 26.1 million barrels of products purchased from other suppliers.

Derby markets branded gasoline through 511 service stations in 12 midwestern states. Of these, 305 are owned by independent jobbers. The remaining 206 are owned by Derby. The number is down from 565 in 1981, as the company continued phasing out older, low-volume stations. Most Derby stations are located in Kansas, Missouri, Nebraska, Iowa and Illinois.

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The Coastal Corporation

Coastal Tower
Nine Greenway Plaza
Houston, Texas 77046

713/877-1400
Telex 774254
TXW 910/881-6333

May 13, 1983

Mr. John F. Roscoe
Gasoline Marketing Survey
Post Office Box 886
Benicia, CA 94510

Dear Mr. Roscoe:

Your letter of May 3, 1983 to Mr. Hill has been referred to me.

I have enclosed an updated fact sheet along with a copy of our 1982 Annual Report and Form 10-K for your review. Please refer to our refining and marketing operations on pages 2-3 and 12-16 in the Annual Report. Similar information can be found on pages 20-25 of the Form 10-K.

Should you have any specific marketing questions about our retail gasoline sales, sold under the Derby brand name, please contact Lewis Foster, Vice President, Derby Refining Company, Post Office Box 1030, Wichita, Kansas 67201; (316) 267-0361.

Sincerely yours,

Wellington F. Osterloh
Director, Public Relations

WFO/pbz
Enclosures

[redacted]

	1980	1981	1982
Sales	$3,477,900,000	$3,826,400,000	$3,777,200,000
Earnings	182,200,000	211,100,000	209,800,000
Number of Employees	11,286	11,202	9,709
Return on Average Shareholder's Equity	13.6%	14.8%	13.2%
United States Motor Gasoline Sales as a Percentage of Kerr-McGee Worldwide Sales (by Barrels)	40.5%	52.9%	52.5%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	6	3	7
On Shore Oil Rigs	—	2	1
Refineries	2	1	2
U.S. Gasoline Pumps	None	1	1
Gasoline Station Employees	None	None	None
Coal Mines	1	2	2
Corporate Citizenship	None	1	None
Research	—	None	None
Background of Chief Executive	Geologist	Geologist	Geologist
Percentage of Company Stock Owned by Corporate Officers and Directors	3.88%	3.80%	3.71%
Number of Pages in Annual Report	60	57	58
Number of Pages Devoted to Gasoline Marketing	1	1-2/3	1-1/2

Number of Kerr-McGee Gasoline Stations in the United States:

12-31-82	1,841
12-31-81	1,519
12-31-80	1,452
12-31-79	1,513
12-31-76	N/A
12-31-71	N/A

Refining and Marketing

The company is engaged in the purchase, gathering, transportation, and refining of crude oil, and the transportation, distribution, and wholesale and retail marketing of petroleum products. Its gasolines, distillates, lubricating oils, and allied products are marketed under the brand names Kerr-McGee, Deep Rock, Cato, Mystik, and various other trade names according to the territory where sold.

In a highly competitive industry, which has become even more competitive due to the continued reduction in product demands, the company considers its products to be fully competitive in quality, service, and price and has been able to compete successfully with other products offered in the markets it serves.

The company's 1982 refined product sales averaged 157,441 barrels per day, up 7,457 barrels per day from 1981. Product demand in 1982 continued to decline due to the weak economy, continued conservation, improved fuel efficiency of new automobiles, and substitution of alternative sources of energy for petroleum. In addition, product distributors generally reduced the level of their inventories during the year due to high interest costs and falling market prices. The daily average industry U.S. consumption of gasoline declined 1% from 1981, while demand for all refined petroleum products declined 5%.

Profits from the company's refining and marketing operations improved in 1982 over 1981. Weak product demand, resulting from the economic recession and consumer conservation, encouraged industry-wide inventory liquidation which weakened selling prices, causing operations to be unprofitable during the early part of 1982. Demand, prices, and profits improved sharply during the second quarter of 1982 as inventories were restocked for the summer

Excerpt from 10K, Refining & Marketing, page 9

driving season. Late in the year, prices and profit margins declined again because of continuing weakness in the economy and reduced distillate demand due to unseasonably warm weather. A LIFO inventory reduction, resulting primarily from lower crude oil and product costs and a small reduction in inventory volume, also contributed to improved 1982 profits. Refinery economic efficiency continued to suffer throughout the year due to low refinery utilization rates.

The outlook for refining and marketing operations during the first part of 1983 is one of continued intense competition as each competitor strives to preserve historical sales volumes in a shrinking market which is further complicated by OPEC-caused crude oil uncertainty. Demand will continue to be weak and profit margins will be narrow. Although gasoline demand and margins will improve during the summer gasoline season, major improvement in total product demand and profit margins will not occur until the general U.S. economy improves.

Excerpt from 10K, Refining & Marketing, page 10

Marketing and Product Distribution

Products of the Wynnewood refinery are sold in the midwest and southwest under the Kerr-McGee and Deep Rock brands. Gasoline, diesel fuels, heating oil, and lubricants are marketed through independent jobbers, dealers, and company-operated stations.

Excerpt from 10K, Marketing & Product Distribution, page 11

During 1982, all products produced at the Corpus Christi Refinery consisting primarily of gasoline, jet fuel, diesel fuel, heating oil, heavy fuel, and petrochemical feedstocks (benzene, toluene and xylene) were marketed by Triangle Refineries, Inc., and Royal Petroleum Corporation, wholly owned subsidiaries. Royal, which marketed distillates and heavy fuel oil to independent distributors in the states of New York, New Jersey, and Connecticut, was merged into Triangle Refineries, Inc. late in 1982 and will operate as a division of Triangle Refineries in the future. Triangle markets to independent distributors and national accounts throughout the southwest, southeast, midwest, East Coast, and the Los Angeles area of the West Coast.

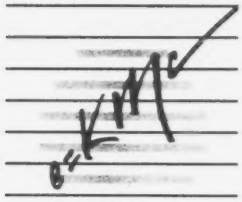
Triangle Refineries, including Royal, purchased 81% of its supply of products from the Corpus Christi refinery. An additional 2% was purchased from the Wynnewood Refinery with the remaining 17% being supplied by others.

At the close of 1982, 1,841 branded service stations located primarily in the midwestern, southwestern, and southeastern parts of the country were operating under the Kerr-McGee or Deep Rock brands. Independent branded jobbers supplied 1,790 of those stations operating under branded sales contracts. Of the remainder, 32 were company-operated and 19 were operated by dealers. The company owned in fee or held under long-term lease 446 of these stations. An innovative salary operated service station design, introduced in the retail marketing operations during 1981, has been successful. Eight units employing this high volume, funnel-exit, self-service station design are now operating. The company is continuing its program to add more of these high volume, self-service, salary operated stations in selected metropolitan markets. In addition, the company owned or leased 64 retail service stations, and a 50% owned affiliate (over which the company has no operational control) owned or leased 61 more stations, operating under brand names other than Kerr-McGee or Deep Rock in the southwestern and southeastern parts of the country.

The industry-wide realignment of marketing territories to concentrate sales around supply sources continued during 1982. As a result, the company was able to add to its branded operations some of the more successful independent jobbers released due to the market withdrawal of other suppliers, increasing the number of branded stations in operation over 1981.

Excerpt from 10K, Marketing & Product Distribution, page 12

PETROLEUM



Refining and Marketing

Barrels per Day	1982	1981
Refining capacity—		
Crude oil distillation	**181,000**	181,000
Downstream processing units*	**154,800**	154,800
Total refinery runs	**118,353**	113,659
Refined products produced:		
Gasoline	**67,915**	60,847
Distillate	**35,121**	33,468
Residual fuel oil	**9,887**	9,363
Other	**17,651**	17,354
Total	**130,574**	121,032
Refined products sales:**		
Gasoline	**82,728**	79,380
Distillate	**40,030**	39,679
Residual fuel oil	**9,230**	7,972
Other	**25,453**	22,953
Total	**157,441**	149,984

*Represents output of crude oil distillation that can be processed in subsequent refining steps. This is the standard used by the American Petroleum Institute to define U.S. refining capacity.

**Includes commission sales.

Kerr-McGee Refining Corporation operates three petroleum refineries, markets refined petroleum products, manufactures and markets petroleum specialty products, and owns and operates terminals and retail service stations.

Refining and marketing earnings increased in 1982, partially due to last-in, first-out (LIFO) inventory adjustments. The LIFO adjustments were due primarily to lower crude oil prices and slightly reduced inventory quantities at year-end.

Kerr-McGee's refining and marketing business was unprofitable in the early part of 1982 because of weak demand resulting from the economic recession and consumer conservation. These factors, plus industrywide inventory liquidation, depressed selling prices. During the second quarter, demand, prices, and profits improved sharply as inventories were restocked for the summer driving season. Late in 1982, prices and profit margins declined as the economy remained weak and unseasonably warm weather reduced distillate demand.

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Marketing

Kerr-McGee markets refined petroleum products through wholesale terminals and retail service stations in 18 states. In addition, Cato Oil and Grease Co., a subsidiary, operates two plants that manufacture a complete line of lubricating oils, greases, and petroleum specialty products that are marketed throughout the United States.

Refined product sales for Kerr-McGee Refining and its subsidiaries in 1982 totaled 157,441 barrels per day, 7,457 barrels above 1981. Triangle Refineries, Inc., and Royal Petroleum Corporation sold 115,489 barrels of refined products per day, 10% above 1981. Triangle, a wholly owned subsidiary, markets gasolines and distillates

Car lights sweep through a Kerr-McGee Short Stop gas station. The self-serve, funnel-exit design is geared for high-volume gasoline sales in metropolitan markets.

through its 14 terminals located on major pipelines and waterways. Royal Petroleum Corporation, a New York-based subsidiary that marketed distillates and other products through its three terminals on the East Coast, was merged into Triangle Refineries, Inc., late in 1982. Sales of Cato Oil and Grease Co. decreased 10% in 1982.

Kerr-McGee markets gasoline through 1,841 branded service stations. Of these, 1,790 stations are supplied through independent branded jobbers, and the remainder are operated by Kerr-McGee or its branded dealers. The company also operates 64 service stations under private brand names.

Kerr-McGee Refining is continuing its program of building and operating high-volume, self-serve gasoline stations. An innovative design funnels cars to high-speed, self-serve pumps, then to a cashier's booth. Called Short Stops, eight of these units are in operation, and one more is under construction. This type of station typically sells 150,000 gallons of gasoline per month, compared with stations built 15 years ago that were designed for monthly sales of 35,000 gallons.

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Outlook

For the first part of 1983, refining and marketing operations are expected to be very competitive, with weak demand and depressed prices. Demand should strengthen when the general economy improves.

Results of Operations

Sales and Services

Consolidated revenues of $3.777 billion for 1982 were down slightly from the 1981 amount, reversing the upward trend during the previous three years. Total revenues compared with the preceding year were 1.3% lower in 1982 and up 10% in 1981 and 29.6% in 1980. In 1982, petroleum refining and marketing operations, which contribute well over one-half of the company's total sales dollars, recorded lower revenues for the first time in several years. A refined product sales volume increase of almost 5% in 1982, which compared with decreases of 9% in 1981 and 8% in 1980, was not enough to offset depressed selling prices during most of 1982, which led to an overall 4% decline in revenues compared with 1981. Average sales prices for refined products had shown increases in 1981 and 1980.

Page 29

[redacted]

	1980	1981	1982
Sales	$13,226,000,000	$15,462,000,000	$14,979,000,000
Earnings	726,000,000	813,000,000	819,000,000
Number of Employees	106,000	103,000	96,000
Return on Average Shareholder's Equity	18.0%	16.3%	14.4%
United States Motor Gasoline Sales as a Percentage of Tenneco Worldwide Sales (by Barrels)	N/A	N/A	40.9%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	2	4	2
On Shore Oil Rigs	—	4	3
Refineries	1	1	4
U.S. Gasoline Pumps	None	2	1
Gasoline Station Employees	None	None	None
Coal Mines	None	None	None
Corporate Citizenship	None	None	1
Research	—	None	None
Background of Chief Executive	Business Administration	Business Administration	Business Administration
Percentage of Company Stock Owned by Corporate Officers and Directors	17/100th of 1%	16/100th of 1%	16/100th of 1%
Number of Pages in Annual Report	60	57	56
Number of Pages Devoted to Gasoline Marketing	1/3	2	1/2

Number of Tenneco Gasoline Stations in the United States:

12-31-82	470
12-31-81	484
12-31-80	480
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

What the Tenneco 10K says About Gasoline Marketing:

Tenneco's gasoline and other refined petroleum products are marketed principally in the southeastern and Atlantic Seaboard areas of the United States through approximately 470 Tenneco-owned or leased service stations and through independent distributors. Other petroleum products, principally fuel oil, diesel oil, kerosene, aromatics and liquified petroleum gas, are sold at the refinery, or through petroleum products pipelines at terminals in which Tenneco has an interest. The principal brand names under which Tenneco products are marketed in the United States are "Tenneco", "Bay", "Direct", "U fill 'em" and "Red Diamond". Tenneco also distributes purchased refined oil products and petro-chemicals in Western Europe.

Excerpt from 10K, Oil Processing and Marketing, page 12

TENNECO OIL PROCESSING AND MARKETING

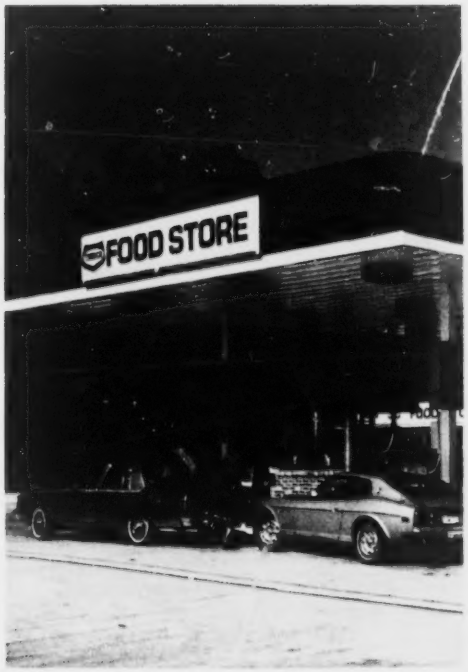
A decline in operating income for Processing and Marketing resulted from the combined effects of high interest rates, unstable world crude oil markets, curtailment of natural gas supplies and a reduced demand for petroleum products. These factors were mitigated by the company's high proportion of crude oil self-sufficiency, and the large volume of gasoline, heating oil and jet fuel marketed directly to consumers.

The refining and marketing industry is in a shakeout phase. Companies that aren't competitive or can't produce efficiently are being forced to curtail operations sharply or shut down completely. Refinery utilization in the industry averaged around 70% of capacity during 1982. Additionally, more than 1 million barrels per day of refining capacity was shut down.

Although Tenneco's refinery utilization during the year was much higher than the industry average, we nevertheless are upgrading our facilities to refine the most readily available, heavier and cheaper crude oils to meet the changes in demand for specific petroleum products.

In retail marketing, our 1982 strategy was to improve the efficiency level at all locations instead of simply adding stations. This emphasis on upgrading existing sites resulted in a net reduction in the number of stations from the previous year. By closing marginal operations, we enhanced our position as an industry leader in terms of sales per outlet. However, through a highly selective site acquisition program, we do expect to grow over the next few years because our marketing efforts are concentrated largely in areas of the United States where the population is growing—the Southwest, the Atlantic Coast and the Southeast.

Our truck-stop program, begun in 1981, added three outlets, doubling the number now operating. This program, which utilizes the best of what we have learned about high-volume, self-service, cash-only operations, is in the developmental stage and is currently under further evaluation.



Tenneco strengthened its position as an industry leader in terms of sales, averaging 100,000 gallons of fuel per month per outlet, through combination convenience store/self service gasoline stations and truck stops

Page 18

Page 19

[redacted]

	1980	1981	1982
Sales	$2,098,464,000	$2,504,038,000	$2,242,445,000
Earnings	104,279,000	74,140,000	54,401,000
Number of Employees	2,742	2,750	2,530
Return on Average Shareholder's Equity	22.4%	14.2%	9.8%
United States Motor Gasoline Sales as a Percentage of FINA Worldwide Sales (by Barrels)	44.0%	38.0%	43.0%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	1	None	1
On Shore Oil Rigs	1	None	1
Refineries	1	1	3
U.S. Gasoline Pumps	1	1	1
Gasoline Station Employees	None	None	None
Coal Mines	None	None	None
Corporate Citizenship	None	None	None
Research	None	None	None
Background of Chief Executive	Lawyer	Lawyer	Lawyer
Percentage of Company Stock Owned by Corporate Officers and Directors	N/A	1.5%	1.32%
Number of Pages in Annual Report	33	33	36
Number of Pages Devoted to Gasoline Marketing	2	2	2

Number of FINA Gasoline Stations in the United States:

12-31-82	4,201
12-31-81	4,014
12-31-80	3,852
12-31-79	4,144
12-31-76	5,046
12-31-71	N/A

The Company markets gasoline and other refined products through APCOT, under the Fina brand. Fina products are primarily sold through the Company's jobber organization of some 445 independent businessmen. The Company supplies 4,201 branded retail outlets, located in 15 states of the Mid-Continent, Southeastern and Southwestern regions. Approximately 90% of the gasoline produced by the Company reaches the market through these outlets.

Excerpt from 10K, Business, page 2

In the energy product segment the principal methods of competition are price and availability of product. In the petrochemicals and plastics segment, quality of the product is also a competitive factor.

Excerpt from 10K, Properties, page 6

United States down from 1981 levels by 5.5% overall and, in the case of gasoline, by 1.3%.

In the refining, marketing and transportation segment, the increase in operating profits was principally attributable to improved margins. The volume of Fina gasoline sold during this year was up by 10.8% and that of all refined products of the Company by 17.1%. This was in an environment of declining demand which saw deliveries of refined products in the

Page 2

Excerpt from the Annual Report of American Petro Fina, December 31, 1982

Marketing

Total U.S. demand for petroleum products continued to decline in 1982, dropping 5.5% from the previous year. Gasoline deliveries fell 1.3% to the lowest level in ten years. Middle distillate and residual fuel oil use dropped 5.3% and 20.5%, respectively. Lower U.S. demand was not offset by lower supply, resulting in intense competition to sell products.

The Company's sales were opposite that trend, however, as total sales of refined products increased by 17.1% from 1981. Sales of gasoline and distillates increased 10.8% and 9.8%, respectively. Although asphalt sales increased only slightly, heavy oil sales jumped 22.1%, reflecting higher refinery throughputs of heavy crude oils. Despite the fact that refined products prices declined throughout the year, operating profit increased because of better margins.

The Company continued to acquire new jobbers to expand its market coverage in Alabama, Mississippi and parts of Tennessee, Louisiana and the Carolinas. The Company's core network in the Sunbelt region of the country now encompasses 15 states. At the end of 1982, the Company marketed gasoline under the Fina brand through 445 jobbers, supplying 4,201 Fina branded service stations, an increase of 187 stations from 1981.

During the year, a program begun several years ago to construct new high-volume, self-serve gasoline units and specialized fuel centers for truckers gained momentum. Struc-

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tured as joint ventures between the Company and certain Fina jobbers, the new units also incorporated convenience stores, thus allowing the Company to participate in associated profits derived from such operations. Six new units were completed in 1982, and plans and permits were obtained for the construction of ten additional units in 1983. Plans are currently underway to re-align the Company's representation in the Miami/Fort Lauderdale area in similar fashion by disposing of uneconomic units and rebuilding the remainder for high-volume operations.

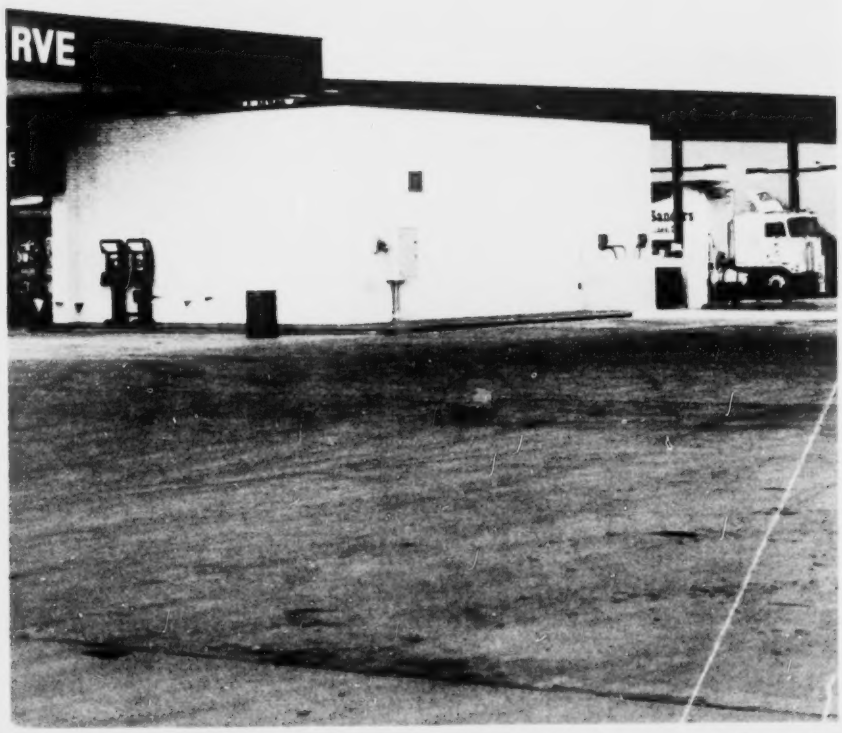
The Company continued to dispose of unprofitable service stations and associated real estate in 1982. A total of 46 fee properties were sold, representing a gain of almost $1 million. Another 57 stations were eliminated by cancellation or non-renewal of lease agreements. This provided an important reduction in operating expenses, and furthered efforts to sell higher volumes through fewer branded outlets.

Amidst all the confusion as to competitive credit card programs and costs in 1982, the Company elected to not institute a charge for its credit card. Fina's recommended program is: one price—cash or credit card.

The Company's modest advertising program, launched early in 1982, attracted new customers and was received enthusiastically by the public as well as Fina jobbers. Television and radio commercials featured the well-known country and western musical personality, Mel Tillis, as spokesman, emphasizing the "Friendly Folks at Fina."

The Company's Lubricants & TBA Department enjoyed its second most successful year in both volumes and profits. Sales of lubricants and greases decreased six and eight percent, respectively, compared to a record 1981. TBA sales also declined, mainly attributable to recessionary pressures. Departmental profitability remained high.

Fina Marketing Area



A new high-volume Fina self-serve fuel center in Arlington, Texas, is jointly owned by Dal-Fin Oil Inc., a Fina jobber serving the mid-cities area between Dallas and Fort Worth, and the Company.

[redacted]

	1980	1981	1982
Sales	$1,273,547,000	$1,502,043,000	$1,781,605,000
Earnings	19,147,000	3,362,000	7,016,000
Number of Employees	1,600	1,656	1,690
Return on Average Shareholder's Equity	9.9%	1.7%	3.2%
United States Motor Gasoline Sales as a Percentage of Crown Central Worldwide Sales (by Barrels)	73.3%	N/A	N/A
Annual Report Picture Survey: No Pictures in Annual Report			
Background of Chief Executive	Accounting	Accounting	Accounting
Percentage of Company Stock Owned by Corporate Officers and Directors	52.97%	54.49%	44.88%
Number of Pages in Annual Report	32	28	28
Number of Pages Devoted to Gasoline Marketing	2	1-1/2	1

Number of Crown Central Gasoline Stations in the United States:

12-31-82	218
12-31-81	216
12-31-80	212
12-31-79	N/A
12-31-76	N/A
12-31-71	N/A

During 1982, the Company completed the conversion of its retail outlets from a full service to a split service structure. Also, sales activities at the wholesale level were intensified through increased sales of finished products at both the marketing terminals and refinery. For additional information concerning marketing and production activities, reference is made to pages 4 through 6 of the 1982 Annual Report to Stockholders incorporated herein.

Excerpt from 10K, Business, page I-2

Marketing

The Company retails and/or wholesales finished petroleum products in Alabama, Arkansas, Georgia, Maryland, Mississippi, New Jersey, New York, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, West Virginia and Washington, D.C.

The Company markets its gasoline products at retail through 218 modern high volume service stations, of which 67 are leased to dealers and 151 are operated by the Company.

Excerpt from 10K, Marketing, page I-7

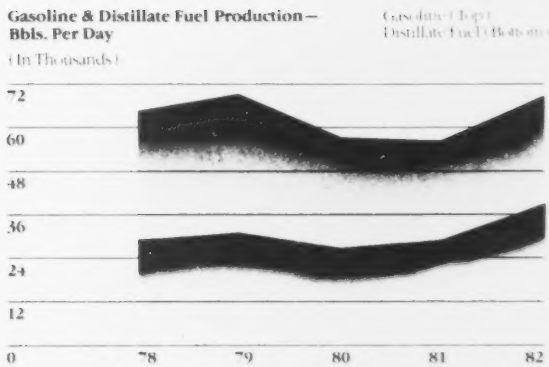
☐ The Petroleum Products Division concentrated on successfully increasing sales volumes during a period of intense competition for market share. Overall volume increased by 32%, largely as a result of significant improvements in wholesale marketing.

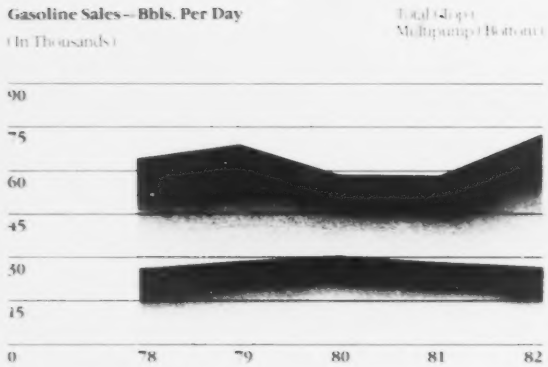
Page 2

Petroleum Products Division

During 1982, Crown and the entire industry had to deal with a continuing decreasing demand for petroleum products caused by a combination of factors, including the economic recession, increased automobile fuel efficiency, and other fuel conservation efforts. The Division's refining, marketing, and supply and transportation departments worked well together to develop a strategy which produced positive results, given the uncertain environment and the resulting condition of the marketplace. This strategy included expansion of trading activities to offer greater flexibility in crude supply, modifications at the refinery to enable the processing of more lower-cost domestic crude, and marketing efforts to maintain and expand the Company's customer base during a period of overall reduced demand.

Page 4





Intense competition in the marketplace

Sales results for 1982 were satisfactory, given the fierce competition within the industry for market share. Overall volume of products sold increased by 3.2%. This increase was largely achieved through intensified wholesale efforts at the marketing terminals and higher sales at the refinery. Also, the implementation of the split serve concept at retail outlets in late 1981 contributed to market gains.

We believe the approach initiated during 1982 will provide the basis for future growth and market penetration. At its multi pump stations, the Company continued its proven appeal to a wide range of customer preferences by providing both full and self service; 24 hour a day, 7 day a week operation; credit cards; and clean, modern facilities. In addition, our program of diversification at the retail level was expanded during the year. The Express Marts, first introduced in

Page 5

our Georgia stations, produced excellent results. Customer response to the installation of automatic bank teller machines in our Maryland and Virginia locations has been more than satisfactory. These programs will be expanded during 1983 and beyond, in what we anticipate to be years of continued intense competition.

Several steps were taken during the year to increase the efficiency of our marketing operations. Marketing staff personnel were reorganized along more functional lines. We were much more selective in choosing sites for new stations. And finally, the Richmond terminal was modernized for greater efficiency.

We expect that the problems faced in 1982—reduced demand and product oversupply—will continue well into 1983, resulting in further pressure on profit margins and increased competition. We do not expect a major change in the marketplace until the economy shows stronger signs of recovery. However, we are confident that we will be able to capitalize on the opportunities existing today and make the changes needed to benefit from market conditions in the future.

Page 6

Results of Operations

The growth in total revenues during the past three years was due primarily to a combination of overall increased selling prices and increased volumes sold. The average unit price of products sold decreased 10% from 1981 to 1982, after having increased 16% from 1980 to 1981. The 1982 reduction in unit prices reflects the impact of an extremely competitive marketplace and the industry wide downward trend in the selling prices of refined products as well as decreased costs of consumed materials. Volumes sold increased 32% from 1981 to 1982 and increased 2% from 1980 to 1981. The increase in sales volume in 1982 was attributable to increased market share, primarily at the wholesale level, as gasoline sales volume increased 27% overall (61% wholesale) and distillate sales volumes increased 28%.

Costs and operating expenses increased 20% from 1980 to 1981 due to increased average cost of crude oil and raw materials consumed in producing finished products. Average cost of crude oil and raw materials consumed decreased 10% from 1981 to 1982 while costs and operating expenses increased 21% due to a 29% increase in total volumes consumed in producing finished products. The Company intensified its efforts to acquire lower-priced domestic crude during 1982 and this allowed for the diversification of the Company's crude oil supplies in an attempt to ensure greater flexibility in its crude oil sources and thereby become less susceptible to the uncertainties and vagaries of foreign term agreements.

Extremely competitive conditions during 1982 in the Company's marketing areas have prevented the Company from passing through all of its costs, thereby reducing margins in 1982. The volume of products sold by the Company generally represents a relatively small portion of the total of such products consumed in the Company's marketing areas, and thus, the marketing and pricing policies of its competitors have an effect on the Company's earnings. Additionally, as Crown continues to expand its domestic exploration and production activities, the costs of finding reserves and the downstream production period have a direct impact on earnings in a particular year.

Notes to Consolidated Financial Statements

Crown Central Petroleum Corporation and Subsidiaries

Note A—Description of Business and Summary of Accounting Policies

Description of Business: The Company is an independent refiner and marketer of petroleum products, including petrochemical feedstocks. It has one refinery, located near Houston, Texas, with a rated capacity of 100,000 barrels per day. Its principal business is the wholesale and retail sale of its products in the Mid Atlantic and Southeastern states and Texas. The Company's crude oil production and the production and sale of natural gas are not a substantial part of its total business.

CROWN CENTRAL PETROLEUM CORPORATION

PRODUCERS • REFINERS • MARKETERS OF PETROLEUM PRODUCTS AND PETROCHEMICALS

GENERAL OFFICES • ONE NORTH CHARLES • P.O. BOX 1168 • BALTIMORE, MARYLAND 21203

Crown Central Petroleum Corporation retails and wholesales finished petroleum products in 14 states and the District of Columbia. Its branded gasolines are marketed through 213 high-volume, multi-pump service stations in the East and Southeastern states.

Retail Marketing

Crown's multi-pump retail approach, which was developed and implemented in the 1960's and 1970's, is founded on high-volume marketing techniques. It involves the sale of gasoline and motor oils at competitive discount prices in spacious and attractive service stations featuring fast, efficient service. The primary factors in the success of Crown's multi-pump operation, all of which are designed to maximize sales volumes, are: 1) the establishment of a brand reputation for quality gasoline and motor oils at competitive discount prices; 2) the strategic location of the facilities in terms of gallonage potential; 3) the design of the facilities (including numerous pumps and pump islands, ease of traffic flow within the premises, strong lighting, and other appearance factors); 4) cleanliness of the operation; and 5) appearance of driveway service attendants and performance of prescribed driveway services.

Many of the major oil companies have recognized the public's ready acceptance of Crown's multi-pump approach and have themselves embarked on programs geared to capture the high-volume, discount price sector of the market. Crown's strength continues to lie in its strict adherence to the fundamental precepts on which its program rests.

Two new programs were recently implemented at selected Crown stations to provide additional services to customers. Express Marts - small stores which stock a small assortment of convenience items such as milk, bread, and cigarettes - were installed in several stations in Georgia on a test basis. The other new program involves the installation of automatic bank teller machines at selected service station locations in Maryland and Virginia, in cooperation with two banks.

Wholesale Marketing

In addition to retailing, Crown supplies its gasoline and fuel oil products to numerous wholesale accounts. Such sales are made to accounts which are not affiliated with a branded refiner, and which may be reselling the product at retail under their own name or to various commercial consumers. While Crown does not supply the home fuel oil market on a direct basis, many of its wholesale customers serve this market using Crown's products.

Melissa Stout Scheitler
Manager, Corporate Communications
June 1983

[redacted]

	1980	1981	1982
Sales	$3,588,400,000	$3,069,600,000	$2,469,200,000
Earnings	104,000,000	80,200,000	50,100,000
Number of Employees	3,500	3,800	3,400
Return on Average Shareholder's Equity	32.0%	19.6%	12.2%
United States Motor Gasoline Sales as a Percentage of Tesoro Worldwide Sales (by Barrels)	35.0%	26.1%	26.2%
Annual Report Picture Survey:			
Pictures of:			
Off Shore Oil Rigs	2	None	None
On Shore Oil Rigs	—	5	5
Refineries	4	3	4
U.S. Gasoline Pumps	4	3	1
Gasoline Station Employees	None	None	None
Coal Mines	None	None	None
Corporate Citizenship	None	None	None
Research	—	None	None
Background of Chief Executive	Chemical Engineering	Chemical Engineering	Chemical Engineering
Percentage of Company Stock Owned by Corporate Officers and Directors	3.40%	3.16%	4.00%
Number of Pages in Annual Report	36	41	40
Number of Pages Devoted to Gasoline Marketing	2	2-1/4	1/3

Number of Tesoro Gasoline Stations in the United States:

9-30-82	98*
9-30-81	108*
9-30-80	189
9-30-79	184
9-30-76	225
9-30-71	None

*Tesoro also has 85 Branded Distributor Stations in Alaska.

What the Tesoro 10K Says About Gasoline Marketing:

The Company sells gasoline and related petroleum products at wholesale to distributors and independent gasoline stations, and at retail principally through its subsidiary Tesoro Gasoline Marketing Company, doing business as "Digas." Digas, at the end of fiscal 1982, operated 98 high volume retail gasoline stations, of which the majority were located in California. Digas has 76 stations which are located at Gemco and Memco Stores owned by Lucky Stores, Inc. The Company has an exclusive agreement with Lucky under which it has certain rights and obligations with respect to opening additional stations in certain locations, and which contains restrictions on its right to open competing stations. The Lucky agreement expires in the year 2000, subject to earlier termination with respect to certain leases thereunder. The remaining 22 Digas stations are operated under individual leases with a variety of landlords.

Excerpt from 10K, Marketing, page 3

Excerpt from the Annual Report of Tesoro Petroleum, September 30, 1982

Refining, Marketing and Crude Supply

During 1982, operating profit of $80.4 million for this segment increased $15.7 million, or 24%, over the $64.7 million for 1981, which had decreased by $43.3 million, or 40%, from the $108.0 million for 1980. Alaska refining and pipeline operations accounted for $70.9 million, $50.0 million and $77.0 million of this segment's operating profit for the years 1982, 1981 and 1980, respectively, primarily due to significantly increased refined product margins while operating at approximately 90% of capacity during all three years. Crude oil and refined products trading activity contributed $12.5 million, $9.9 million and $22.6 million in operating profits for 1982, 1981 and 1980, respectively. Crude oil and refined products trading volumes began to increase slightly during the latter half of 1982 over 1981 levels which had decreased significantly from 1980. Wholesale and retail marketing of refined products continued to decline during 1982 from higher 1981 and 1980 levels, especially retail gasoline marketing activities which have been subjected to severe competition in West Coast markets during 1982.

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Refining and Marketing

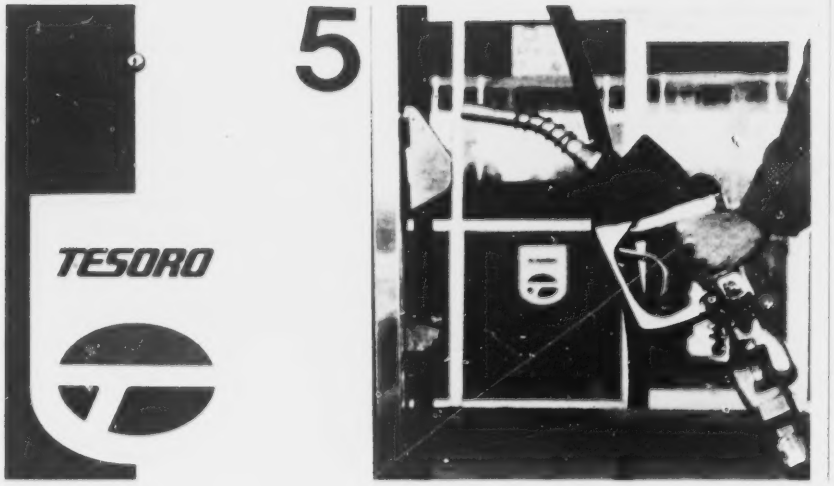
Refined Products Marketing	Fiscal 1982	Fiscal 1981	Fiscal 1980
Refined Products Sales (b/d)			
Gasoline	26,220	34,585	47,702
Jet Fuel	13,443	11,394	12,941
Other Distillates	31,416	59,187	33,401
Fuel Oil	28,891	23,742	43,828
Total	99,970	128,908	137,872
Number of Retail Outlets			
Tesoro Alaska[1]	85	75	78
Tesoro Gasoline Marketing	98	108	108
Other	3	3	3
Total	186	186	189

[1] *Includes branded distributors.*

Tesoro Gasoline Marketing Company, the principal retail marketing entity of Tesoro, enjoyed favorable business conditions early in fiscal 1982. During the latter half of the year, however, intense retail competition in West Coast markets affected profit margins adversely. These conditions caused management to accelerate its ongoing program of eliminating marginal retail units. By the end of fiscal 1982, the number of retail outlets operated by Tesoro Gasoline Marketing Company had been reduced from 108 to 98.

The introduction of automotive diesel fuel to additional marketing outlets was accomplished in fiscal 1982. Also, a new higher-octane unleaded gasoline supplemented existing product lines at some of the Company's stations. Increasing consumer acceptance and a rising percentage of total product sales indicate the success of that new program.

BELOW RIGHT: Tesoro Alaska gasoline station, Anchorage, Alaska.



Tesoro operations at both refineries showed improvement during the past fiscal year.

U.S. petroleum refining, marketing, and transportation operations earned $113 million in 1982, versus a loss of $140 million in 1981. The better performance was attributed to operating efficiencies and an improved ability to recover crude costs in the marketplace. However, refined product margins weakened in the last quarter of 1982. Overseas petroleum refining, marketing, and transportation operations lost $107 million in 1982 versus a loss of $173 million in 1981.

Amoco, 1st quarter ended 3/31/83

Fuels

Pretax earnings for refining and marketing operations declined to $27 million in the first quarter, significantly below the $120 million earned in the prior year period, primarily because of lower margins, a situation that affected profits throughout the industry. U.S. product prices declined in excess of crude price reductions as markets reacted to excess supplies and the uncertainties over OPEC deliberations on pricing and production. Although product prices have firmed somewhat since the OPEC accord was reached in mid-March, future pricing levels will depend on the economic recovery and other factors affecting worldwide supply and demand.

Arco, 1st quarter ended 3/31/83

Despite a very competitive market, the Superamerica Save Mart combination gasoline/merchandise retail stores increased sales during the quarter. With the RCC unit fully operational, Ashland Petroleum expects to expand its share of the gasoline market in the area served by the Catlettsburg refinery and has agreed to acquire about 132 retail gasoline stations in Kentucky and Ohio from Exxon in support of this strategy. Ashland Petroleum plans to use the properties in its branded and direct marketing operations.

Ashland, 2nd quarter ended 3/31/83

We believe the company's refining and marketing business has several underlying strengths which provide a strategic advantage in the long term.

Ashland, 2nd quarter ended 3/31/83

Letter to stockholders / April 25, 1983

For the three months ended March 31, 1983, Ashland Oil had a net loss of $14.5 million, equal to 89 cents a share. In the corresponding quarter a year ago, the company suffered a net loss of $11.6 million, or 79 cents a share. Sales and operating revenues for the 1983 quarter were $1.8 billion, compared to $2.2 billion for the period a year ago.

For the six months ended March 31, 1983, Ashland Oil had net income of $14.6 million, equal to a loss of 14 cents a share after preferred dividend obligations. These results compare to net income of $35.9 million, or 65 cents a share, for the first six months of fiscal 1982. Sales and operating revenues for the six months just ended were $3.9 billion, compared to $4.6 billion for the period a year ago.

This year's second quarter loss is due to the economic recession and renewed instability in petroleum markets. In the petroleum industry, weak demand coupled with overproduction created a glut of petroleum products, which eventually forced OPEC to lower its official crude oil price for the first time in its history. In the weeks prior to the crude oil price reduction, product prices fell faster than crude oil prices, eliminating profit margins.

Ashland, 2nd quarter ended 3/31/83

"As a result of the demand decline," said Keller, "the industry no longer needs all the refining, transportation and marketing capacity we built to satisfy demand we had anticipated earlier. And we're having to cut back. In this country alone about 60 refineries have been shut down during the last year or so.

"Petroleum sales volumes are down sharply, and companies are competing feverishly for their share of the declining pie. Gasoline use in this country has fallen 13.5 percent since 1978." Prices, he added, dropped steadily during 1982, and only in recent weeks have shown signs of stabilizing. "And profit margins have declined right along with prices."

Chevron, 1st quarter ended 3/31/83

Bower also emphasized that Chevron U.S.A. has adjusted to the competitive changes in the marketplace. The industry made sweeping changes in credit card practices and merchandising programs in 1982. Chevron's approach was to make wholesale prices more competitive, while promoting a maximum number of choices for customers. "When discounts are offered," explained Bower, "three out of four U.S. motorists now choose to pay for gasoline in cash. For that reason, Chevron's new marketing strategy features discounts for cash."

The Company has also retained its credit card program, "due to Chevron's traditional strength in this upscale end of the market," said Bower. "We're also designing more convenience into our self-service islands to attract growing numbers who choose that option."

Chevron, 1st quarter ended 3/31/83

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segment of the business. Crude oil prices have stabilized; inventories are at lower, more manageable levels; and product prices have been increasing. If these trends continue, Coastal could have a sizable recovery in refining and marketing operating profit for the year.

Refining and marketing operations started 1983 with a $3.8 million operating loss, but some encouraging changes are occurring in this

Coastal, 1st quarter ended 3/31/83

North and South Carolina, and Virginia, had combined sales of $328 million in store products and gasoline last year. With the addition of these properties, Crown's marketing areas will be expanded and additional retail outlets will be available for the sale of gasoline produced by the Houston refinery. This acquisition, coupled with the trend towards improved margins mentioned earlier, gives your management more reason for optimism concerning further improvements in the performance of the Petroleum Products Division.

As announced on April 7, Crown has signed a letter of intent to acquire two convenience store chains — Fast Fare and Zippy Mart — from Sun Company's Refining and Marketing Division. This purchase is expected to be concluded by the middle of the year. The two chains, with 642 stores in Alabama, Florida, Georgia,

Crown, 1st quarter ended 3/31/83

Excerpts from the First Quarter of 1983 Reports

To the Stockholders:

For the first quarter of 1983 the Company registered a net loss of $10.5 million ($1.74 per share) on gross revenues of $348 million. This compares to a net loss of $3 million ($.54 per share) on gross revenues of $416 million for the first quarter of 1982, and net income of $4.6 million ($.64 per share) on gross revenues of $497 million for the fourth quarter of 1982.

The loss was due principally to a deterioration in product margins and some reduction in sales volume. During the first quarter, the average product selling price decreased 12% compared to the fourth quarter of 1982, while crude costs decreased only 9%. Overall product margins, which declined steadily during the quarter, were 31% lower than those for the previous quarter, and 5% below those for the first quarter of 1982.

Sales volumes were down by 21% compared to the previous quarter, and 5% compared to the first quarter of 1982, with sales revenues down by 30% and 16% compared to the same periods. Crown was not alone in its reduced first-quarter sales results — decreased demand for petroleum products and high inventory levels caused similar results throughout the industry. Operating levels at the refinery were reduced 15% compared to the previous quarter and 6% compared to the first quarter of 1982, reflecting the lower product demand and reduced margins. Near the end of March, crude prices stabilized and product prices increased, but these favorable signs occurred too late to have an impact on first-quarter earnings.

Crown, 1st quarter ended 3/31/83

• Income for the Petroleum Refining, Marketing and Transportation segment was down 67 percent from the first quarter last year. The decline is a result of lower margins on domestic refined products, as intense competition caused product prices to fall more rapidly than crude oil costs. Partially offsetting the decline in domestic earnings was a slight improvement in international earnings, primarily reflecting reduced losses for marine operations.

Dupont Conoco, 1st quarter

■ Earnings from petroleum refining and marketing operations in the U.S. declined from $35 million in the 1982 first quarter to break even in the most recent quarter. While crude oil supply costs were lower than in the prior period, selling prices for petroleum products declined even more in the glutted market environment. Total petroleum product sales volume was down 2 percent; however, motor gasoline sales volume increased 13 percent.

Exxon, 1st quarter

Earnings for the 1983 first quarter were adversely affected by a loss in domestic refining and marketing operations, lower crude oil prices and a $14 million after-tax writeoff of the company's investment in Northern Tier Pipeline Company. The investment writeoff resulted from Northern Tier's recent decision to cancel plans for the construction of a crude oil pipeline from the state of Washington to the midwestern United States. (See discussion on following page.) These negative factors during the 1983 quarter more than offset earnings improvements resulting from lower domestic exploratory costs and increased domestic crude oil production.

Getty, 1st quarter

Losses Incurred by U.S. Downstream Operations

Refining and marketing operations in the U.S. posted a $96-million loss, compared with earnings of $215 million a year earlier, almost all of which came from a pretax gain on the liquidation of LIFO-valued inventories. While total refined product sales declined 2 percent to 699,000 barrels per day and distillate sales were off 10 percent due to the warm winter, gasoline sales increased 3 percent.

Gulf, 1st quarter

Weak market conditions and declining prices for refined products resulted from the economic recession, a warm winter, and uncertainty regarding future crude oil prices. Some of the price uncertainty was dispelled in March, when the Organization of Petroleum Exporting Countries (OPEC) reduced its crude oil marker price from $34 to $29 per barrel and established production quotas.

By the end of the first quarter, business conditions for refining and marketing were improving, primarily due to OPEC's stabilizing actions and supporting crude oil price changes announced by the British National Oil Corporation for North Sea oil. In addition, improvement in the economy and the approaching summer driving season pointed to increased demand for petroleum products.

In service station operations, Kerr-McGee Refining is continuing to add high-volume, self-serve Short Stop stations. The company is converting an existing Oklahoma City-area service station into its tenth Short Stop operation.

Kerr-McGee, 1st quarter ended 3/31/83

Refining and Marketing

First Quarter	1983	1982
Total refinery runs (thousands of bbls. per day)	99.6	99.8
Refined product sales* (thousands of bbls. per day)	160.4	166.2

*Includes commission sales.

Kerr-McGee's refinery runs averaged 99,639 barrels per day during the first quarter, about the same as in the first quarter of 1982. At the Corpus Christi, Texas, refinery, runs averaged 60,353 barrels per day during the first quarter, while runs at the Wynnewood, Okla., refinery averaged 34,897 barrels per day. Throughout the first quarter, runs at both refineries were relatively stable.

In the first quarter of 1983, Kerr-McGee Refining Corporation incurred an operating loss that exceeded the loss in the first quarter of 1982.

Kerr-McGee, 1st quarter ended 3/31/83

REFINING AND MARKETING

We are currently in the process of starting up all new units of our $400 million modernization program at the Borger, Texas, refinery.

The Borger refinery can now process the less expensive, high-sulfur crude oils at its 100 percent capacity rate of 95,000 barrels a day. Last year our modernized Sweeny, Texas, refinery completed a full year of operation with about 70 percent of the total oil processed being the cheaper oils.

Partly as a result of this, profit margins were up for many petroleum products.

Phillips continues to be a leading supplier of aviation gasoline and turbine fuel. In 1982 sales of aviation fuels were up 28 percent.

The successful marketing of petroleum products is critical in today's competitive environment. There is a growing trend toward service stations where motorists can fill their cars, have them washed and buy groceries, all at one convenient location. At this time, many Phillips stations across the country are being renovated or rebuilt to offer these services.

Phillips, 1st quarter

Oil Products

Oil Products incurred a loss of $40 million in the first quarter of 1983, compared with earnings of $34 million in the same 1982 period.

Margins deteriorated as refined products selling prices declined sharply, reflecting spot crude oil price movements and intense competition. While crude oil acquisition costs were also down, the price decline in the Company's term supply contracts lagged behind decreases in spot crude oil.

Fixed manufacturing costs were higher this year, mainly due to startup expense and increased depreciation associated with our California refinery modernization program, and increased shutdown maintenance costs at other locations. In addition, investment tax credit was lower this year since the California refinery program is essentially complete. Marketing costs also increased as a result of our successful credit card programs.

Refined product sales volumes increased 14 percent, with automotive gasoline volumes up 12 percent.

In Oil Products, we incurred our first quarterly loss since 1975. In March, however, product prices started up and our crude oil costs were stable. This generally parallels our experience in each of the past two years when margins recovered rapidly under similar circumstances.

Additionally, as margins are restored, we should continue to benefit from higher gasoline volumes associated with market share gains since last October, when the number of our credit card accounts began growing rapidly.

Shell, 1st quarter

There has also been an oversupply in the gasoline market during the first quarter, but prices have been rising recently, and we are currently back in the black.

Tenneco, 1st quarter

In the future Tesoro intends to posture itself to a greater extent in the upstream segments of the industry — that is in exploration and production — and to place emphasis domestically rather than internationally. That is not to say that the Company will not consider outstanding growth opportunities in non-upstream segments of the industry, or in the international arena as opposed to domestic areas. Nor does it say that the Company will not be alert to good growth opportunities in non-petroleum businesses.

The sharp downturn in the petroleum industry during the last twelve to fifteen months has demonstrated once again the cyclicality of certain segments of the industry and has shown beyond question that the health of the industry depends directly on the demand for and price of the basic raw materials — that is crude oil and natural gas. Accordingly, Tesoro believes that to the greatest extent possible it should concentrate its efforts on the acquisition and ownership of basic petroleum reserves in place.

Tesoro, 2nd quarter ended 3/31/83

Downstream Operations

Refining and marketing strategy is equally flexible. To be profitable in today's environment of readily available crude oil, downstream operations must be very efficient as regards product mix and operating expenses.

These refining efficiencies have been coupled with a bold new marketing strategy. Early results are encouraging. Currently, Texaco's average gasoline sales per investment station in the United States are exceeding 60,000 gallons a month, placing the Company among the leaders in the industry. That figure is about double the average monthly sales per station in 1980.

Texaco, 1st quarter ended 3/31/83

First Quarter 1983

Tosco reported a net loss of $46.6 million, or a loss of $2.64 per share, for the first quarter of 1983. In the same period last year, Tosco's net income was $510,000 or 2 cents per share.

This sharp decrease in earnings was caused largely by the unprecedented plunge in wholesale prices of petroleum products as 1982 ended and 1983 began. The significant de-stocking of inventories and related price erosion as OPEC negotiated its agreements, combined with an abnormally warm winter and the added pressure of a gasoline price war on the West Coast, contributed to the deterioration in markets, particularly markets west of the Rockies.

In March, product price levels began to rise. Since the first of March, wholesale gasoline prices on the West Coast have risen sharply, by about 13 cents per gallon, reflecting a seasonal increase in demand for gasoline and lower than normal industry inventories. While Tosco expects a loss for the second quarter as a whole, its refining operations should benefit from these increases in demand and wholesale prices. The company expects that the third quarter will be profitable.

On April 7, as the product market recovery was gathering momentum, the fluid catalytic cracking unit at the Avon Refinery sustained a major fire. Due to the courage and effectiveness of the refinery staff, the fire was quickly contained and extinguished so that there was no damage to any other unit. The catalytic

Tosco, 1st quarter ended 3/31/83

I think it's worth commenting briefly on the three major problems, since I expect them to continue to bother us as we move further into 1983.

At the top of the list is the problem caused by severe gasoline and distillate price wars. Competition in the retail gasoline market has been the strongest in over a decade. Indeed, at times in recent months, we have been selling gasoline below our costs.

The recent pattern for gasoline prices well illustrates the problem. The pump price of gasoline fell steadily during the last half of 1982, and by December had fallen by 17 cents per gallon. The decline continued during January and February, totaling another nine cents per gallon. Fortunately, there has been some modest improvement during March and April.

As you can tell from driving around town, each company seems to have a different strategy to gain your gasoline business. You've seen them—credit cards, no credit cards, self-serve, full-serve, discounts for cash, convenience stores, even give-aways. The fact is, the gasoline market has shrunk and will likely continue to shrink. Companies have to struggle to keep their market shares.

Union is a well-established, strong competitor, and we intend to keep our position by delivering top quality products and service, including credit cards.

Over the long-term, the success of our refining and marketing business will depend, at least partly, upon our ability to convert as much as possible of each barrel into gasoline and other lighter, higher-value fuels and to do so at the lowest possible cost.

Union Annual Meeting, 1st quarter

Fuels

Pretax earnings for refining and marketing totaled $118 million in the second quarter, below last year's second quarter results of $153 million, but a significant increase over first quarter 1983 earnings of $27 million. Second quarter earnings include approximately $14 million for the pretax effect of reduction in inventories, compared with $46 million in the second quarter of last year.

Although second quarter results lagged slightly behind last year's performance, earnings improved substantially over this year's first quarter, with both refining and marketing and chemical operations showing significant gains.

More than 40 Thrifty stations rebranded as ARCO outlets

More than 40 Thrifty service stations in southern California have been rebranded as ARCO outlets under an agreement reached in April between Atlantic Richfield and Thrifty, one of the nation's leading independent gasoline marketers.

The stations continue to be owned by Thrifty but now sell ARCO brand gasoline and other products and can take advantage of ARCO advertising and its major-brand image. Thrifty previously had been buying unbranded supplies from ARCO. The move is part of Atlantic Richfield's program to strengthen its West Coast retail marketing network.

Although refining and marketing operations strengthened in the second quarter as industry conditions improved, they did not match last year's first-half performance. Changes from current performance will be a function of margins and demand in the second half of the year.

Arco, 2nd quarter

[redacted]

Operating profit from refining and marketing was up more than 60% for the quarter and 70% for the six months due to improved gross margins and reduced operating expenses. Crude runs at the four refineries averaged 174,300 barrels a day for the six months compared with 160,000 barrels in 1982 when the West Coast refinery did not operate.

Coastal, 2nd quarter

To The Stockholders:

The Company realized a net profit of $3.9 million ($.54 per share) in the second quarter of 1983, which reduced the net loss for the first six months to $6.6 million ($1.16 per share). The quarter's results are encouraging when compared to net losses of $2.9 million ($.52 per share) for the second quarter of 1982 and $10.5 million ($1.74 per share) for the first quarter of this year.

The significant improvement in performance during the second quarter was due mainly to increases in margins for refined products. The average selling price of all products increased by 6%, while crude oil prices remained relatively stable throughout most of the second quarter. This shift had the effect of restoring in part the margins lost earlier in the year. The profitable results for this quarter were achieved despite the fact that sales volumes were below those for the previous quarter.

Second-quarter and six-month revenues were approximately 15% below the record-high levels for the comparable periods in 1982, because of lower selling prices and reduced volumes. The reduction in volume for both periods was primarily due to decreases in demand for heating oil and a corresponding reduction in feedstocks processed by the refinery. However, revenues were up slightly compared to the first quarter of this year, despite the reduced volume, because of the increase in selling prices mentioned in the previous paragraph.

Key activities during the second quarter included the following:

☐ As announced previously, the Company acquired the stock of the Fast Fare and Zippy Mart convenience store chains from the Sun Company. The purchase price was $57 million, and closing took place on June 30. The stock of the two chains is held by a newly-formed, wholly-owned subsidiary. However, each chain's stores will retain their own identity, and overall responsibility for the performance of both chains will remain with existing management personnel. J. Larry Trull has been named President of Fast Fare and Zippy Mart.

☐ Activity in the corporate financing area included several loan transactions designed to finance the recent acquisition as well as to markedly improve the Company's liquidity and further enhance its flexibility to take advantage of future opportunities on a timely basis.

Closing was held on $40 million in bank loans to Crown's new subsidiary to finance the convenience store acquisition. The remaining portion of the purchase price was obtained from internally generated cash and from proceeds obtained in connection with the July 14 closing of a $52 million loan discussed in the first-quarter report. This loan effectively refinanced the majority of the Company's multi-pump service station properties. Subsequent to the end of the quarter, arrangements were also finalized for the establishment of a revolving credit agreement which will enable the Company to finance its accounts receivable.

☐ On May 6, settlement was held on the transfer of substantially all of the assets of the Pioneer Coal Company. This transaction effectively concludes Crown's active participation in coal mining operations.

☐ As a member of the Shell-Florida Exploration group, Crown again participated in bidding for federal oil and gas leases offshore Gulf of Mexico. The group was the successful bidder on three tracts adjacent to existing group exploration ventures. Crown has 3.2% interest in the tracts.

Overall, Crown management was pleased with the positive turnaround in the second quarter, and with the successful completion of the Fast Fare and Zippy Mart acquisition. This diversification fits extremely well with the Company's stated strategy of maintaining its strength as an independent producer/refiner/marketer, while taking advantage of opportunities to broaden its profit base.

Respectfully submitted,

Henry A. Rosenberg, Jr.
Chairman of the Board

George W. Jandacek
President

July 28, 1983

Crown Central, 2nd quarter

Excerpts from the Second Quarter of 1983 Reports

In marketing, Exxon accelerated efforts to restructure and modernize its worldwide distribution network and retail chain. In 1982 alone, the company closed 30 primary distribution terminals resulting in an average increase in volume at the remaining terminals of 11 percent. In the last five years, Exxon has reduced the number of its branded retail outlets worldwide by nearly 20 percent while increasing the volume of motor fuel sales by an average of nearly 25 percent per station.

For the past two years, the company has been modernizing the appearance of its service stations. By the end of this decade, virtually all of the Exxon/Esso-branded stations will have the same streamlined look.

Exxon, 2nd quarter

In U.S. refining and marketing operations, earnings totaled $130 million in the first half of 1983; in the comparable period of last year earnings were $92 million. Motor gasoline sales volume was up 4 percent. However, total sales volume declined 2 percent due to a drop in sales of heavier, lower-valued products, principally heavy fuel oil. This improvement in sales mix together with operating cost reductions were principal factors in the earnings gain.

Earnings from foreign petroleum

Exxon, 2nd quarter

• Income from Petroleum Refining, Marketing and Transportation was 28 percent below the second quarter 1982, reflecting lower U.S. and U.K. refined products margins, partially offset by improved margins in other international areas.

Dupont-Conoco, 2nd quarter

• Results for the Refining and Marketing Complex, while reflecting improvement in margins late in the half, were down in the full half-to-half comparison with last year because of severe competitive pressures on margins earlier this year. The first half of 1983 included a $55-million benefit from last-in-first-out (LIFO) inventory drawdowns versus $30 million during the same period last year.

Mobil, 2nd quarter

Despite a strengthening of refined product prices which resulted in a small profit in refining and marketing activities during the second quarter, the company sustained a net loss in refining and marketing operations for the 1983 six-month period.

Getty, 2nd quarter

Gasoline Sales Profitable Again

Operating results in refining and marketing have improved significantly since the first of the year. Thankfully, we are selling gasoline at a profit again in the United States. With the benefits from our extensive cost-reduction program still ahead of us, there is good reason for confidence in the future of this important segment of our business.

Refining and marketing in the U.S., which incurred substantial operating losses in both the second quarter of 1982 and first quarter of 1983, returned to the black in the June period, with earnings of $18 million. Gasoline prices firmed and the Company benefited from a number of cost-cutting steps.

Gulf, 2nd quarter

In the second quarter of 1983, Kerr-McGee Refining Corporation substantially improved its operating profit over the same quarter of last year. The second-quarter profit also marked a turnaround from the operating loss experienced in the first quarter of 1983.

Refinery runs averaged 120,467 barrels of oil per day during the second quarter, 7% higher than the second quarter of 1982. Runs were increased significantly during the quarter to take advantage of improved market conditions.

Refined product prices increased during the quarter following the attainment of stability in world crude oil prices. Also contributing to stronger markets for refined products were late cold weather, a gradually improving economy, and limited restocking of product inventories in anticipation of the summer driving season.

To take advantage of the improved market and an expected good season for gasoline sales, Kerr-McGee Refining restarted a fluid catalytic cracker at its Corpus Christi, Texas, refinery. The unit had been shut down since early 1981, when a new catalytic cracker was brought on stream.

Refining and Marketing

	Second Quarter		Six Months	
	1983	1982	1983	1982
Total refinery runs (thousands of bbls per day)	120.5	112.3	110.1	106.1
Refined products sales* (thousands of bbls per day)	151.4	155.1	155.9	160.6

*Includes commission sales.

Kerr-McGee, 2nd quarter

Oil Products

Oil Products earnings were $87 million in the second quarter. This compares with earnings of $100 million in the second quarter of 1982, which included about $30 million benefit from the April 1982 sale of our Ciniza refinery.

In 1983, second-quarter margins were higher as the decline in raw material costs more than offset lower selling prices for refined products and increased operating costs. Also, manufacturing yields were better as a result of increased utilization of refinery conversion units, and new facilities coming on stream with the completion of our West Coast refinery modernization program earlier in 1983.

Total refined product sales volumes for the second quarter were about the same as last year. While overall automotive gasoline sales volumes were down 4 percent, our direct service station network sales volumes were up 9 percent. For the first half, total refined product sales volumes increased 6 percent, with automotive gasoline up 3 percent.

First-half earnings of $47 million were $87 million below the same period last year, reflecting the $40 million loss incurred in the first quarter of 1983, when declines in crude oil costs lagged the sharp decreases in refined product selling prices.

Shell, 2nd quarter

Refining and Marketing

Operating income for the second quarter recovered from the first quarter loss of $2 million to $127 million, compared with $83 million for the 1982 second quarter. Six months operating income was $125 million versus $194 million during the first half of 1982, due to lower refined products margins during the first quarter.

The second quarter 1983 performance compared with 1982 was the result of product prices declining less than crude oil costs as well as lower refining costs and 12 percent higher sales volumes.

Sohio, 2nd quarter

Refining and Marketing

A modest drop in crude oil costs and a strengthening of product prices in the second quarter led to improved profit margins for the company's refining and marketing operations. This reversed a trend underway since the fourth quarter of last year.

Through this period, Union's service-oriented marketing strategy and attractive product mix enabled the company to maintain its market position. Sales of petroleum products have averaged 376,200 barrels per day compared with 348,000 barrels per day last year. For the year to date, input to crude processing units averaged 357,100 barrels per day, versus 339,300 barrels per day last year.

Union, 2nd quarter

One of the most significant transactions of this program was the signing in March of a letter of intent to sell Cities Service's refining, marketing and transportation operations to The Southland Corporation, one of America's most successful retailers and the largest independent marketer of gasoline. Southland is operator and franchiser of 7,300 7-Eleven stores in the United States and Canada.

This transaction is significant to Occidental in two ways: first, we'll raise a large amount of cash toward our debt, approximately $750 million, and we'll save about $50 million that we would have had to invest in funding the capital improvement of the Lake Charles refinery. In addition, Occidental would become the largest shareholder of Southland, with a 20 percent stock ownership interest, which would enable us to report 20 percent of the profits of Southland. So we are not going out of these downstream activities, we are simply transferring them to a company that's a leader in the marketing of gasoline in this country.

Occidental Annual Meeting

Earnings from U.S. exploration and producing operations were $185 million, up from $175 million in the second quarter of 1982. U.S. refining and marketing earnings increased from $24 to $32 million.

Standard Oil of California, 2nd quarter

There is no question that in today's highly competitive business environment a strong and successful marketing program is essential to our earnings performance.

Consumers today are looking for value. They're looking for competitive prices, convenience, good service and high quality. The Phillips shield represents value, and we are taking steps to reinforce this positive brand image.

We are establishing more vigorous assistance programs and more stringent performance standards for our branded jobbers. At the same time, we are strengthening our company outlets. We feel these steps will improve both our brand image and our profitability.

Phillips, 2nd quarter

OPERATING PROFIT BY SEGMENT*

	Nine Months Ended June 30,		*Three Months Ended June 30,*	
	1983	1982	1983	1982
	(in millions)			
Refining, Marketing and Crude Supply	$63.4	50.0	27.0	17.9
Oil Field Services	(4.0)	36.5	(3.0)	8.7
Exploration and Production	25.6	40.9	7.9	11.9
Other	—	(3.7)	—	(.5)
Total Operating Profit	$85.0	123.7	31.9	38.0

**Operating profit represents pretax earnings before equity in earnings of unconsolidated investment, interest income, interest expense and allocated corporate expenses.*

The lower operating profit figures for both the fiscal 1983 nine months and third quarter, compared to prior-year periods, were attributable to lower oil field service activities and to lower domestic and foreign oil prices, offset somewhat by higher refining, marketing and supply operating profit.

Tesoro, 3rd quarter

Excerpts from the Second Quarter of 1983 Reports:

Manufacturing and marketing results in the United States showed an improvement for the comparative periods, exclusive of a 1982 LIFO drawdown benefit. These improvements reflected decreased crude and product acquisition costs and lower operating expenses, partially offset by generally lower selling prices. Reflecting the better balance between supply and demand in the petroleum market during 1983, gross operating margins improved in the second quarter, compared with the first quarter.

Texaco, 2nd quarter

Tosco's pretax operating loss for the second quarter of 1983 was $31 million, with a net operating loss of $21.5 million, or $1.23 per share. Most of this second quarter loss was incurred in April, and was due to poor refining margins and to a loss in gasoline production at Avon resulting from fire damage to the refinery's catalytic cracking unit. This loss in gasoline production was not fully insured because of the normal front-end deductible provisions of the company's business interruption insurance. However, losses subsequent to April are expected to be covered by insurance.

Margins have improved since the beginning of the second quarter and the catalytic cracker resumed production in August. The company is now beginning to realize the initial favorable impact of its cost reduction programs and the results of its large refinery improvement expenditures. The new hydrodesulfurization complex at Avon, which has been on stream for more than a month, should significantly improve the refinery's profitability by the end of the third quarter. The El Dorado, Arkansas refinery is operating at capacity.

Tosco will continue to pursue its business strategy of profitably converting low-quality, low-cost crude oils into high value transportation fuels at its Avon and El Dorado refineries. Both Avon and El Dorado are extremely competitive, technologically sophisticated plants located in good market areas with associated crude gathering and product distribution systems. Even with a two-refinery system, Tosco's rated crude oil capacity approximates 173,000 barrels per day, thereby maintaining Tosco's position as one of the nation's largest independent refiners.

Tosco's results of operations are highly dependent upon finished product margins which have been historically difficult to predict because of the uncertainties of the market. However, Tosco's future operating results should be aided by the new hydrodesulfurization complex at Avon, resumption of full production of the catalytic cracker in August, and the impact of substantial reductions in personnel and other overhead costs.

Tosco, 2nd quarter

A Summary of Information

[redacted]

Company	# of Stations	Background of Chief Officer	Accountants
1. Exxon	20,600	Chem. Engineering	Price Waterhouse
2. Standard Oil of Calif.	11,295	Chem. Engineering	Price Waterhouse
3. Shell Oil Co.	13,300	Geologist	Price Waterhouse
4. Standard Oil Co. of Indiana (Amoco)	17,800	Chem. Engineering	Price Waterhouse
5. Texaco	18,000	Chem. Engineering	Arthur Anderson
6. Mobil	16,216	Accounting	Arthur Young & Co.
7. Gulf Oil Company	14,967	Chem. Engineering	Coopers & Lybrand
8. Atlantic Richfield	5,260	Finance	Coopers & Lybrand
9. United States Steel/ Marathon Oil	2,998	Petroleum Eng.	Ernst & Whinney
10. Union Oil Co. of Calif.	12,700	Chem. Engineering	Coopers & Lybrand
11. Dupont/Conoco	5,489	Chemistry	Price Waterhouse
12. Ashland Oil	2,200	Chem. Engineering	Ernst & Whinney
13. Standard Oil Co. of Ohio (Sohio)	2,200	Eng. & Finance	Ernst & Whinney
14. Sun Co.	8,100	Chem. Engineering	Coopers & Lybrand
15. Phillips Petroleum Co.	13,900	Finance	Arthur Young & Co.
16. Occidental/Cities Service	5,000	Art Dealer	Arthur Anderson & Co.
17. Union Pacific/Champlin	850	Finance	Deloitte Haskins & Sells
18. Getty Oil Co.	4,772	Business Admin.	Arthur Anderson
19. Coastal Corporation	511	Mech. Engineering	Touche Ross & Co.
20. Tosco Corp.	1	Chem. Oil Mfg., Engineering	Coopers & Lybrand
21. Kerr-McGee	1,841	Geologist	Arthur Anderson & Co.
22. American Petrofina	4,201	Lawyer	Peat, Marwick, & Mitchell
23. Tenneco	470	Business Admin.	Arthur Anderson & Co.
24. Crown Central	218	Accounting	Ernst & Whinney
25. Tesoro	98	Chem. Engineering	Touche Ross & Co.
Totals	182,987		
Averages			

on the Companies in:

[redacted]

# of Pages in Annual Report	Pages Devoted to Gasoline Marketing	Percentage of Company Stock Owned by Officers & Directors	Average Return on Share-Holders' Equity in 1982
44	¾	1/10th of 1%	14.9%
52	1	1/6th of 1%	10.6%
60	1⅓	32/100th of 1%	17.4%
52	1	N/A	16.5%
56	⅔	27/100th of 1%	9.2%
48	⅓	62/100th of 1%	18.0%
52	2⅓	66/100th of 1%	9.1%
60	2	43/100th of 1%	18.1%
56	⅓	63/100th of 1%	Loss
42	1	59/100th of 1%	18.2%
72	⅓	25.2%	8.4%
68	1⅔	2.19%	17.9%
64	⅓	N/A	28.5%
56	1½	3.5%	10.5%
72	⅔	8.2%	11.4%
76	⅓	6.42%	5.6%
52	None	N/A	10.3%
74	1	40.5%	14.0%
48	¼	8.4%	13.0%
56	1	10.5%	49.0%
58	1⅓	3.71%	13.2%
36	2	1.32%	9.8%
56	½	16/100th of 1%	14.4%
28	1	44.88%	3.2%
40	⅓	4.00%	26.2%
1,378	21		
55	84/100th		

COMPARISON OF AVERAGE RETURN ON EQUITY OF THE 25 LARGEST OIL COMPANIES

	Company	Avg. Return on Equity in 1980	Avg. Return on Equity in 1981	Difference 1980 vs. 1981	Avg. Return on Equity in 1982	Difference 1981 vs. 1982
1	Exxon	21.8%	17.8%	− 3.0%	14.9%	− 2.9%
2	Chevron	21.7%	20.0%	− 1.7%	10.6%	− 9.4%
3	Shell	22.0%	21.0%	− 1.0%	17.4%	− 3.6%
4	Amoco	21.6%	19.2%	− 2.4%	16.5%	− 2.7%
5	Texaco	21.1%	17.6%	− 3.5%	9.2%	− 8.4%
6	Mobil	23.9%	17.6%	− 6.3%	9.4%	− 8.2%
7	Gulf	15.3%	12.5%	− 2.8%	9.1%	− 3.4%
8	ARCO	24.4%	20.8%	− 3.6%	18.1%	− 2.7%
9	U.S. Steel/Marathon	21.0%	16.6%	− 4.4%	Loss	N/A
10	Union	20.1%	20.8%	+ 0.7%	18.2%	− 2.6%
11	Conoco/Dúpont	N/A	13.7%	N/A	8.4%	− 5.3%
12	Ashland	19.1%	9.6%	−12.8%	17.9%	+ 8.3%
13	Sohio	39.7%	31.0%	− 8.7%	28.5%	− 2.5%
14	Sun	16.8%	21.5%	+ 4.7%	10.5%	−11.0%
15	Phillips	23.8%	16.9%	− 6.9%	11.4%	− 5.5%
16	Occidental/Cities Service	19.9%[1]	Loss	−19.9%	5.6%	+ 5.6%
17	Union Pacific/Champlin	N/A	13.9%	N/A	10.3%	− 3.6%
18	Getty	21.0%	18.0%	− 3.0%	14.0%	− 4.0%
19	Coastal	18.7%	Loss	−18.7%	13.0%	+13.0%
20	Tosco	20.0%	9.0%	−11.0%	49.0%	+40.0%
21	Kerr-McGee	13.6%	14.8%	+ 1.2%	13.2%	− 1.6%
22	American Petrofina	22.4%	14.2%	− 8.2%	9.8%	− 4.4%
23	Tenneco	18.0%	16.3%	− 1.7%	14.4%	− 1.9%
24	Crown Central	9.9%	1.7%	− 8.2%	3.2%	+ 1.5%
25	Tesoro	32.0%	19.6%	−12.4%	12.2%	− 7.4%

1. Occidental

Source: Annual Reports of these companies.

GASOLINE STATISTICS—WATCH OUT FOR THE NUMBERS

There is no reliable set of numbers or statistics on the gasoline business. We've looked at a lot of them and have talked to people who compute, tabulate, massage, guess, and borrow numbers. No set of numbers appears completely reliable or really agrees with numbers published by other sources. The business is so big and so complicated that no one has figures that are kept the same way or are completely comparable. Since we are interested in broad trends, an analysis of the various figures available should be sufficient to give you the direction of the tide and the course of the currents.

In the following pages are some pertinent figures that you may need to be aware of if you want to understand what is happening in the gasoline business. In addition to the government statistics, we've compiled some of our own. They have been taken from the annual reports of the major oil companies. They probably are fairly comparable since the majority of the firms use the same accounting firms.

It's a good rule not to rely too heavily on any figure unless you personally generate or compile the numbers.

It is our intention to continue publishing **What Do the 25 Largest Oil Companies Have to Say About Gasoline Marketing** on an annual basis. Each year we expect to expand and improve the report. We'd like it to be as accurate and as factual as possible. If you note inaccuracies, mistakes in logic or computations, or misstatements, we'd like to be notified.

(Thousands of Barrels Daily)

	Company	1980	1981	Increase or Decrease	1982	Increase or Decrease	Percent of Increase or Decrease
1	Exxon	549	479	−70	482	+ 3	Up 1%
2	Chevron	449	387	−62	354	−33	Down 8%
3	Shell	527	470	−57	459	−11	Down 2%
4	Amoco	504	474	−30	477	+ 3	Up 1%
5	Texaco	435	404	−31	388	−16	Down 4%
6	Mobil	428	363	−65	378	+15	Up 4%
7	Gulf	414	401	−13	398	− 3	Down 1%
8	ARCO	329	292	−37	324	+32	Up 11%
9	U.S. Steel	249	244	− 5	241	− 3	Down 1%
10	Union	253	218	−35	213	− 5	Down 2%
	10 Largest Refiners	4137	3732	−405	3714	−18	
11	Conoco/Dupont	166	158	− 8	163	+ 5	Up 3%
12	Ashland	197	182	−15	180	− 2	Down 1%
13	Sohio	261	246	−15	244	− 2	Down 1%
14	Sun	289	256	−33	275	+19	Up 7%
15	Phillips	214	209	− 5	216	+ 7	Up 3%
16	Occidental	149	145	− 4	142	− 3	Down 2%
17	Champlin	N/A	N/A	N/A	N/A	N/A	N/A
18	Getty	134	125	− 9	121	− 4	Down 3%
19	Coastal	N/A	N/A	N/A	N/A	N/A	N/A
20	Tosco	98	122	+24	118	− 4	Down 3%
	2nd 10 Largest Refiners	1508	1443	−65	1459	+16	
21	Kerr-McGee	68	79	+11	83	+ 4	Up 5%
22	Fina	N/A	N/A	N/A	N/A	N/A	N/A
23	Tenneco	126	142	+16	132	−10	Down 7%
24	Crown Central	N/A	N/A	N/A	N/A	N/A	N/A
25	Tesoro	48	35	−13	26	− 9	Down 26%
	3rd Tier Companies	242	256	+14	241	−15	
	21 Refining Companies	5887	5431	−456	5414	−17	

Figures may include some Naptha, but figures for top 10 companies seem fairly pure and are comparable as reported.

Source: Annual Reports of these companies.

Ranked as reported in the Annual Reports

Company	Thousands of Barrels Per Day	Gallons Sold per Day (Thousands)	Gallons Sold per Year (Millions)	% Market Share in 100 Billion Gallon Market	% Market Share by Lundberg Survey	Lundberg Survey Variance from Annual Report
1 Exxon	482	20,244	7,389,060	7.39	6.64	-.75
2 Amoco	477	20,034	7,312,410	7.31	7.36	.05
3 Shell	459	19,278	7,036,470	7.04	6.78	-.26
4 Gulf	398	16,716	6,101,340	6.10	5.85	-.25
5 Texaco	388	16,296	5,948,040	5.95	5.61	-.34
6 Mobil	378	15,876	5,794,740	5.79	5.63	-.16
7 Chevron	354	14,868	5,426,820	5.43	4.74	-.69
8 Arco	324	13,608	4,966,920	4.97	4.79	-.18
9 Sun	275	11,550	4,215,750	4.22	2.57	-1.65
10 Sohio	244	10,248	3,740,520	3.74	Not Shown	-3.74
Top 10 Companies	3,779	158,718	57,932,070	57.93	49.97	-7.96
11 US Steel/Marathon	241	10,122	3,694,530	3.69	Not Shown	-3.69
12 Phillips	216	9,072	3,311,280	3.31	2.75	-.56
13 Union	213	8,946	3,265,290	3.27	3.25	-.02
14 Ashland	180	7,560	2,759,400	2.76	Not Shown	
15 Dupont/Conoco	163	6,846	2,498,790	2.50	Not Shown	
16 Occidental/Cities Service	142	5,964	2,176,860	2.18	Not Shown	
17 Getty	121	5,082	1,854,930	1.85	Not Shown	
18 Tosco	118	4,956	1,808,940	1.81	Not Shown	
19 Union Pacific/Champlin	N/A	0	0	0	Not Shown	
20 Coastal	N/A	0	0	0	Not Shown	
Second 10 Companies	1,394	58,548	21,370,020	21.37	Not Shown	
21 Kerr-McGee	83	3,486	1,272,390	1.27	Not Shown	
22 Tenneco	132	5,544	2,023,560	2.02	Not Shown	
23 American Petrofina	N/A	0	0	0	Not Shown	
24 Crown Central	N/A	0	0	0	Not Shown	
25 Tesoro	26	1,092	398,580	.40	Not Shown	
Third Tier Companies	241	10,122	3,694,530	3.69	Not Shown	
Total for Schedule	5,414	227,388	82,996,620	83.00	Not Shown	

COMPARISON OF STATIONS OPERATED [illegible]

As reported in their Annual Reports and 10K's

	Company	1980 # of Stations	1981 # of Stations	Increase or Decrease	1982 # of Stations	Increase or Decrease
1	Exxon	22,886	20,585	−2,301	20,600	+ 15
2	Chevron	12,139	11,586	− 553	11,295	− 291
3	Shell	15,400	13,700	−1,700	13,300	− 400
4	Amoco	21,300	20,100	−1,200	17,800	−2,300
5	Texaco	24,000	21,000	−3,000	18,000	−3,000
6	Mobil	17,425	16,564	− 861	16,216	− 348
7	Gulf	16,055	15,277	− 778	14,967	− 310
8	ARCO	8,200	7,122	−1,078	5,260	−1,862
9	U.S. Steel/Marathon	2,789	2,903	+ 114	2,998	+ 95
10	Union	12,300	12,500	+ 200	12,700	+ 200
11	Conoco/Dupont	5,605	5,708	+ 103	5,489	− 219
12	Ashland	2,437	2,200	− 237	2,200	Even
13	Sohio	2,300	2,300	Even	2,200	− 100
14	Sun	9,000	8,400	− 600	8,100	− 300
15	Phillips	12,805	13,900	+1,095	13,900	Even
16	Occidental/Cities Service	5,300	5,784	+ 484	5,000	− 784
17	Union Pacific/Champlin	850	863	+ 13	850	− 13
18	Getty	5,787	5,071	− 716	4,772	− 299
19	Coastal	550	565	+ 15	511	− 54
20	Tosco	46	None	− 46	1	+ 1
21	Kerr-McGee	1,452	1,519	+ 67	1,841	+ 322
22	American Petrofina	3,852	4,014	+ 162	4,201	+ 187
23	Tenneco	480	484	+ 4	470	− 14
24	Crown Central	212	216	+ 4	218	+ 2
25	Tesoro	189	108	− 81	98	− 10
	Totals	203,359	192,469	−10,890	182,987	−9,482

1. Confirmed by telephone 8/19/83.

Source: Annual Reports of these companies.

RANKING OF NUMBER OF SERVICE STATIONS OPERATED VERSUS SHARE OF MARKET RANKING

	Company	# of Stations	Share of Market Ranking
1	Exxon	20,600	1
2	Texaco	18,000	5
3	Amoco	17,800	2
4	Mobil	16,216	6
5	Gulf	14,967	4
6	Phillips	13,900	12
7	Shell	13,300	3
8	Union	12,700	13
9	Chevron	11,295	7
10	Sun	8,100	9
	Top 10 Companies	146,878	
11	Conoco/Dupont	5,489	15
12	Arco	5,260	8
13	Occidental/Cities Service	5,000	17
14	Getty	4,772	18
15	American Petrofina	4,201	N/A
16	US Steel/Marathon	2,998	11
17	Sohio	2,200	10
18	Ashland	2,200	14
19	Kerr-McGee	1,841	20
20	Union Pacific/Champlin	850	N/A
	Second 10 Companies	34,811	
21	Coastal	511	N/A
22	Tenneco	470	16
23	Crown Central	218	N/A
24	Tesoro	98	21
25	Tosco	1	19
	Third Tier Companies	1,298	
	Total for Schedule	182,987	

[redacted]

Assuming all gasoline sales reported by company
were sold through the stations listed in Annual Report

	1982 # of Stations	Total Gallons Sold per Year (Thousands)	Average Gallons Sold per Station per Year	Average Gallons Sold per Station per Month	Average Gallons Sold per Station per Day
1 Exxon	20,600	7,389,060,000	358,692	29,891	983
2 Amoco	17,800	7,312,410,000	410,810	34,234	1,126
3 Shell	13,300	7,036,470,000	529,058	44,088	1,449
4 Gulf	14,967	6,101,340,000	407,653	33,971	1,117
5 Texaco	18,000	5,948,040,000	330,447	27,537	905
6 Mobil	16,216	5,794,740,000	357,347	29,779	979
7 Chevron	11,295	5,426,820,000	480,462	40,039	1,316
8 Arco	5,260	4,966,920,000	944,281	78,690	2,587
9 Sun	8,100	4,215,750,000	520,463	43,372	1,426
10 Sohio	2,200	3,740,520,000	1,700,236	141,686	4,658
Top 10 Companies	127,738	57,932,070,000	453,523	37,794	1,243
11 US Steel/Marathon	2,998	3,694,530,000	1,232,332	102,694	3,376
12 Phillips	13,900	3,311,280,000	238,222	19,852	653
13 Union	12,700	3,265,290,000	257,109	21,426	704
14 Ashland	2,200	2,759,400,000	1,254,273	104,523	3,436
15 Dupont/Conoco	5,489	2,498,790,000	455,236	37,936	1,247
16 Occidental/Cities Service	5,000	2,176,860,000	435,372	36,281	1,193
17 Getty	4,772	1,854,930,000	388,711	32,393	1,065
18 Tosco	1	1,808,940,000	N/A	N/A	N/A
19 Union Pacific/Champlin	850	N/A	N/A	N/A	N/A
20 Coastal	511	N/A	N/A	N/A	N/A
Second 10 Companies	48,421	21,370,020,000	454,102	37,842	1,244
21 Kerr-McGee	1,841	1,272,390,000	691,141	57,595	1,894
22 Tenneco	470	2,023,560,000	4,305,447	358,787	11,796
23 American Petrofina	4,201	N/A	N/A	N/A	N/A
24 Crown Central	218	N/A	N/A	N/A	N/A
25 Tesoro	98	398,580,000	4,067,143	338,929	11,143
Third Tier Companies	6,828	3,694,530,000	1,533,636	127,803	4,202
Total for Schedule	182,987	82,996,620,000	468,360	39,030	1,283

[redacted]

Assuming all gasoline sales reported by company were sold through the stations listed in Annual Report

	1982 # of Stations	Station Days	Total Pretax Profits (thousands)	Average Pretax Profits per Day per Gasoline Outlet Operated
1 Exxon	20,600	7,519,000	7,678,000	1,021.15
2 Amoco	17,800	6,497,000	3,292,000	506.70
3 Shell	13,300	4,854,500	1,971,900	406.20
4 Gulf	14,967	5,462,955	2,497,000	457.08
5 Texaco	18,000	6,570,000	4,809,400	732.02
6 Mobil	16,216	5,918,840	3,405,000	575.28
7 Chevron	11,295	4,122,675	2,554,000	619.50
8 Arco	5,260	1,919,900	2,798,000	1,457.37
9 Sun	8,100	2,956,500	944,000	319.30
10 Sohio	2,200	803,000	3,397,000	4,230.39
Top 10 Companies	127,738	46,624,370	33,346,300	715.21
11 US Steel/Marathon	2,998	1,094,270	76,000	69.45
12 Phillips	13,900	5,073,500	2,100,000	413.92
13 Union	12,700	4,635,500	1,406,500	303.42
14 Ashland	2,200	803,000	292,154	363.83
15 Dupont/Conoco	5,489	2,003,485	2,806,000	1,400.56
16 Occidental/Cities Service	5,000	1,825,000	1,541,219	844.50
17 Getty	4,772	1,741,780	1,816,661	1,042.99
18 Tosco	1	365		
19 Union Pacific/Champlin	850	310,250	571,991	1,843.65
20 Coastal	511	186,515	108,030	579.20
Second 10 Companies	48,421	17,176,900	10,718,555	624.01
21 Kerr-McGee	1,841	671,965	341,200	507.76
22 Tenneco	470	171,550	1,181,000	6,884.29
23 American Petrofina	4,201	1,533,365	87,473	57.05
24 Crown Central	218	79,570	5,253	66.02
25 Tesoro	98	35,770	109,823	3,070.25
Third Tier Companies	6,828	879,285	1,724,749	1,961.54
Total for Schedule	182,987	64,680,555	45,789,604	707.93

TOTAL MOTOR VEHICLES, MOTOR VEHICLE REGISTRATIONS, AND NEW CAR SALES

Year	Total Motor Vehicles	Total U.S. New Automobile Sales, Including Imports	Total Automobiles Private, Public, and Commercial	Net Annual Increase in Total Automobile Registrations	*Average Annual Percent Increase in Registration
1950	49,200,000		40,400,000		7.4%
1960	73,900,000		61,700,000		3.3%
1970	108,400,000		89,200,000		3.2%
1975	132,900,000		106,700,000		2.3%
1976	138,500,000		110,400,000	+3,700,000	4.2%
1977	142,400,000	11,183,412	112,300,000	+1,900,000	2.8%
1978	148,800,000	11,314,079	116,600,000	+4,300,000	4.5%
1979	154,118,099	10,673,435	120,247,990	+3,647,990	3.6%
1980	155,889,692	8,979,194	121,723,650	+1,475,660	1.1%
1981	158,456,511	8,536,758	123,461,507	+1,757,857	1.6%
1982	159,569,825	7,980,800	123,697,863,	+ 236,356	0.2%

Source: Registrations—U.S. Federal Highway Administration Statistics.

Figures from 1978 and before from Federal Highway Administration, Highway Statistics as reported in the Statistical Abstract of the United States, 1980.

SUMMARY OF AVERAGE FUEL ECONOMY PERFORMANCE NEW PASSENGER AUTOMOBILES

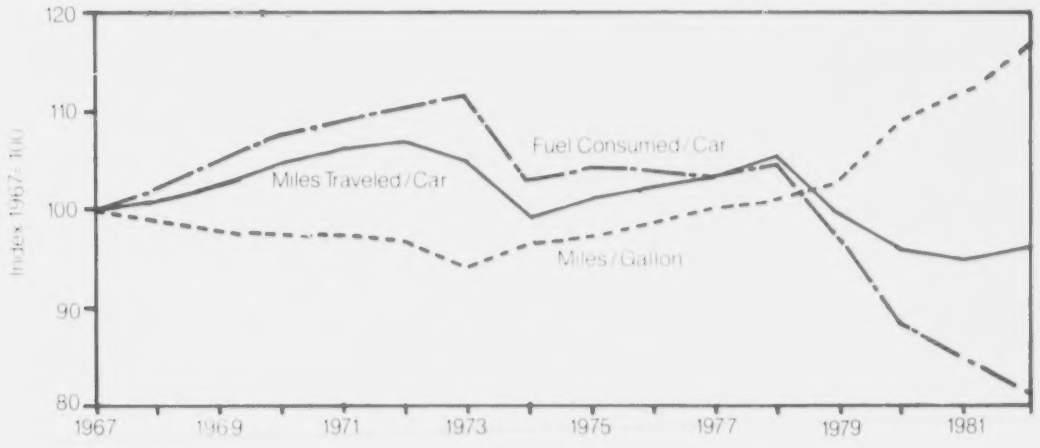
Model Year:	1978	1979	1980	1981	1982	1983
Passenger Cars:						
New U.S.-made Averages	18.7	19.3	21.9	23.5	24.5	24.2
New Imported Car Averages	27.3	26.1	28.6	30.6	30.7	31.8
New Cars Combined Averages	19.9	20.3	23.5	25.2	26.1	26.0
Light Trucks:						
New U.S.-made Averages	N/A	17.7	16.8	18.3	19.2	19.6
New Imported Averages	N/A	20.8	24.4	27.4	27.0	27.5
New Combined Averages	N/A	18.2	18.5	20.1	20.6	20.8
Combined New Car and Light Truck Averages	N/A	20.1	22.5	24.1	24.8	24.6

Source: U.S. Department of Transportation.

Energy Indicator—U.S. Passenger Car Efficiency

	Average Fuel Consumed per Car		Average Miles Traveled per Car		Average Miles Traveled per Gallon of Fuel Consumed	
	Gallons	Index	Miles	Index	Miles	Index
1967	684	100.0	9,531	100.0	13.93	100.0
1968	698	102.0	9,627	101.0	13.79	99.0
1969	718	105.0	9,782	102.6	13.63	97.8
1970	735	107.5	9,978	104.7	13.57	97.4
1971	746	109.1	10,121	106.2	13.57	97.4
1972	755	110.4	10,184	106.9	13.49	96.8
1973	763	111.5	9,992	104.8	13.10	94.0
1974	704	102.9	9,448	99.1	13.43	96.4
1975	712	104.1	9,634	101.1	13.53	97.1
1976	711	103.9	9,763	102.4	13.72	98.5
1977	706	103.2	9,839	103.2	13.94	100.1
1978	715	104.5	10,046	105.4	14.06	100.9
1979	664	97.1	9,485	99.5	14.29	102.6
1980	603	88.2	9,135	95.8	15.15	108.8
1981	579	84.6	9,002	94.4	15.54	111.6
1982	561	82.0	9,167	96.2	16.33	117.2

U.S. Passenger Car Efficiency Index



Note: * Geographic coverage is the 50 states and the District of Columbia.
Sources: * See the last page of this section.

Monthly Energy Review
Energy Information Administration

[redacted]

Comprises all fuels (gasoline) diesel or other fuels used for propulsion of vehicles under state motor fuel laws

Excludes federal purchases for military use

Year	Total Consumption in Billions of Gallons	Average Annual Percent Change
1960	57.9	4.0[1]
1965	71.1	4.2
1970	92.3	5.4
1972	105.1	6.7
1973	110.5	6.2
1974	106.3	-3.8
1975	109.0	2.5
1976	115.7	6.2
1977	119.6	3.4
1978	125.1	4.6
1979	122.1	-2.4
1980	116.0	-4.9
1981	115.2	- .6
1982	113.9	-1.1

[1] Change from 1955.

[redacted]

Year	Highway	Non-Highway	Total Gasoline Use	Average Annual Percent Change
1978	112.2	3.6	115.8	-
1979	108.1	3.7	111.8	-3.5
1980	101.2	3.6	104.8	-6.3
1981	99.6	3.5	103.1	-1.6
1982	98.5	3.3	101.8	-1.3

Source: U.S. Federal Highway Administration, Highway Statistics Annual.

U.S. Petroleum Developments: 1982

Petroleum developments in 1982 were characterized by continued declines in many areas:

- Imports and petroleum consumption continued to decline.
- Stocks of products declined sharply and remained low.
- Crude oil prices, as well as retail and wholesale refined product prices, fell.
- Refinery production and capacity declined.
- Drilling activity decreased substantially from the record peak in 1981.

Crude oil production and exports did not follow the downward trend. Crude oil production was virtually unchanged from the 1981 rate; while exports increased for the seventh consecutive year.

Petroleum Consumption

During 1982, petroleum consumption in the United States (measured as products supplied for domestic use) declined for the fourth consecutive year (see Figure 1). The average consumption of 15.3 million barrels per day, was about 800 thousand barrels per day lower than the 1981 average and was the lowest annual average for petroleum consumption since 1971. Even though prices fell, especially during the first quarter of 1982, consumption continued to drop as the economy weakened. Continued conservation efforts and fuel switching, induced by past sharp petroleum product price increases, also contributed to the decline, even though petroleum prices were generally lower during 1982 than during 1981.

Despite the continuing decline in consumption, petroleum remained the principal U.S. energy source. About 43 percent of the energy consumed in the United States during 1982 came from petroleum (see Figure 2). This percentage, which reached a peak at 49 percent in 1977, continued to drop as high petroleum prices and the relatively lower costs of using fuels such as natural gas and coal encouraged conservation by consumers and conversion to other fuels.[1]

Motor gasoline supplied for domestic use averaged 6.5 million barrels per day during 1982, 12 percent below the average for 1978, the peak year of gasoline consumption, and about 1 percent below that of 1981 (see page 14). This decline occurred despite the fact that gasoline prices throughout most of 1982 were lower than those in 1981. Residual fuel oil and distillate fuel oil also showed large declines in consumption, down 18 percent and 6 percent, respectively, from their 1981 levels. Consumption of these and other major refined products generally decreased by an average of 5 percent during the year (see Figure 3).

Distillate fuel oil consumption, which averaged 2.7 million barrels per day in 1982, was about 6 percent below the average for 1981 (see page 16). The December 1982 price for home heating oil was approximately $1.20 per gallon compared with the average price of approximately $1.22 per gallon in December 1981.[2]

After decreasing nearly 17 percent between 1980 and 1981, residual fuel oil consumption continued to decline during 1982, averaging 1.7 million barrels per day, about 18 percent below the 1981 average (see page 18). The average retail price per barrel, excluding tax, of residual fuel oil in 1982 was $29.08, more than 10 percent below the average price for 1981.[3] That the decline in consumption came at a time when prices were falling indicates the impact of the sluggish economy on industrial users, the second largest consumers of residual fuel oil (electric utilities are the largest consumers).

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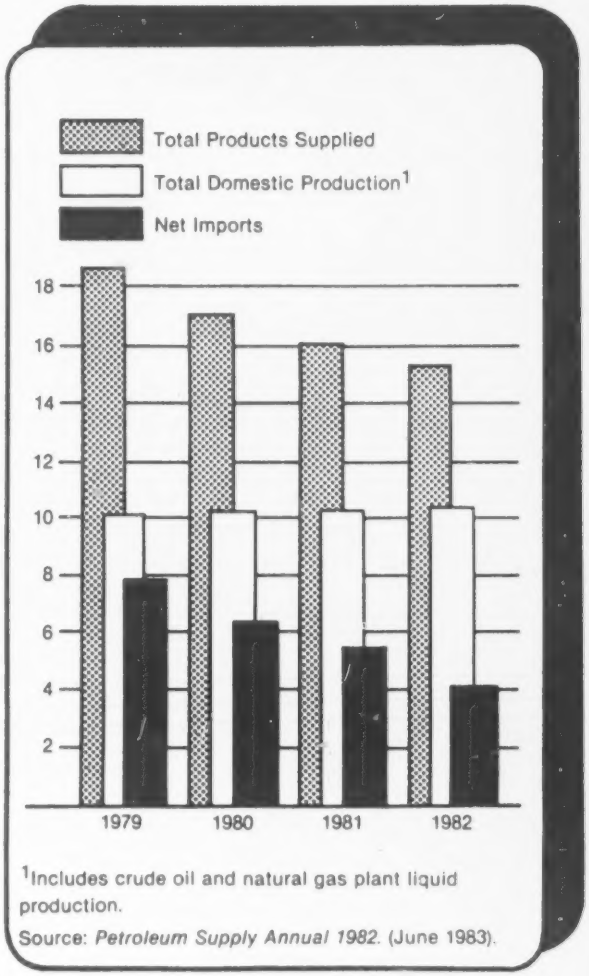
[1]Energy Information Administration, *Monthly Energy Review*, DOE/EIA-0035(83/04) (Washington, D.C.: April 1983), p. 6.
[2]*Monthly Energy Review* (April 1983), p. 88.
[3]*Monthly Energy Review* (April 1983), p. 82.

Figure 1. Petroleum Summary
(Million Barrels per Day)



[1]Includes crude oil and natural gas plant liquid production.

Source: *Petroleum Supply Annual 1982*. (June 1983).

REFINER'S CRUDE DISTILLATION CAPACITY

As of January 1, 1983

	Refiner	Barrels per Calendar Day	Change from Jan. 1, 1982	Percent of Total U.S. Refining Capacity
1	Standard Oil of Calif.	1,469,700	N/A	8.72
2	Exxon Corp.	1,200,000	−349,000	7.12
3	Shell Oil Co.	1,092,200	− 69,400	6.48
4	Amoco	1,011,000	−123,000	6.00
5	Texaco	937,000	− 71,000	5.56
6	Gulf Oil Co.	881,100	+ 77,900	5.23
7	Mobil Oil Corp.	859,700	N/A	5.10
8	Atlantic Richfield Co.	708,000	+ 65,800	4.20
9	Marathon Oil Co.	588,000	N/A	3.49
10	Union Oil Co. of Calif.	490,000	N/A	2.91
	Top 10 Refiners	9,236,700	−468,700	54.79
11	Ashland Oil Inc.	462,943	N/A	2.75
12	Sohio	456,000	+ 4,000	2.70
13	Conoco/Dupont	420,774	− 54,200	2.50
14	Sun Co.	358,000	− 20,500	2.12
15	Occidental Petroleum	320,000	N/A	1.90
16	GHR Energy	300,000	+200,000	1.78
17	Phillips Petroleum Co.	295,000	− 79,000	1.75
18	Union Pacific/Champlin	283,800	N/A	1.68
19	Getty Oil Co.	278,177	− 2,400	1.65
20	Tosco Corp.	258,800	− 700	1.54
	Second 10 Refiners	3,433,494	+ 47,200	20.37
	Top 20 Refiners	12,670,194	−421,500	75.15

REFINERY CRUDE DISTILLATION CAPACITY

(Continued)

	Refiner	Barrels per Calendar Day	Change from Jan. 1, 1982	Percent of Total U.S. Refining Capacity
21	Coastal Corporation	241,782	− 32,200	1.43
22	Koch Industries	238,000	+ 53,700	1.41
23	Kerr-McGee	162,600	− 2,980	0.96
24	American Petrofina	150,000	N/A	0.89
25	Total Petroleum	144,500	N/A	0.86
26	Murphy Oil Corp.	129,200	N/A	0.77
27	Agway Petroleum Corp.	119,600	N/A	0.71
28	Tenneco Oil Co.	114,000	N/A	0.68
29	Diamond Shamrock Corp.	111,100	+ 4,000	0.66
30	Apex Oil Co.	104,500	− 48,600	0.62
	Third 10 Refiners	1,515,282	− 26,080	8.99
	Capacity of 30 Companies with greater than 100,000 B/D capacity	14,185,476	−447,580	84.14
31	Crown Central Petroleum	100,000	N/A	0.59
32	Amerada Hess Corp.	97,000	− 1,000	0.58
33	Mid-Amer. Pipe Line System	94,500	N/A	0.56
34	Pennzoil Co.	92,200	N/A	0.55
35	Farmland Industries	82,900	− 5,600	0.49
36	Independent Refining Corp.	80,000	N/A	0.47
37	Louisiana Land & Exploration	80,000	N/A	0.47
38	Little America Refining	78,500	− 16,000	0.47
39	Tesors Petroleum Corp.	74,600	N/A	0.44
40	Coral Petroleum Inc.	69,500	N/A	0.41
	Fourth 10 Refiners	849,200	− 22,600	5.04
	Top 40 Refiners	15,034,676	−470,180	89.18
	Total Operating Refinery Capacity for the U.S.	16,859,337		

Source: U.S. Department of Energy, *Petroleum Supply Annual 1982.* DOE/EIA-0340(82)/1

U.S. Refining Capacity: 1983

On January 1, 1983, there were 258 operable petroleum refineries in the United States reporting a combined operable crude distillation capacity of 16.9 million barrels per calendar day (MMB/CD), 17.9 million barrels per stream day (MMB/SD). This compares to 301 operating refineries on January 1, 1982 with a combined crude distillation capacity of 17.9 MMB/CD (19.0 MMB/SD).

Of the operable crude oil distillation capacity, 1.9 MMB/CD was idle. Most of this idle capacity (1.1 MMB/CD) was at facilities that were partially in operation. The remainder (0.8 MMB/CD) was at 25 refineries that were totally idle, but capable of being restarted within 30 days or under repairs that could be completed within 90 days.

The refinery shutdowns during 1982 were primarily the result of shifts in petroleum demand, economic factors and changes in governmental regulations. Total petroleum consumption decreased in 1982, but consumption of lighter products such as gasoline and jet fuels accounted for an increased share of the total. Smaller less-complex refineries which were unable to produce additional light products from less-expensive, heavy, high-sulfur crude oil were at an economic disadvantage. In addition, some refiners changed their marketing and distribution networks, in recognition of these changing conditions, and closed their least profitable facilities while expanding others to be able to produce more marketable products.

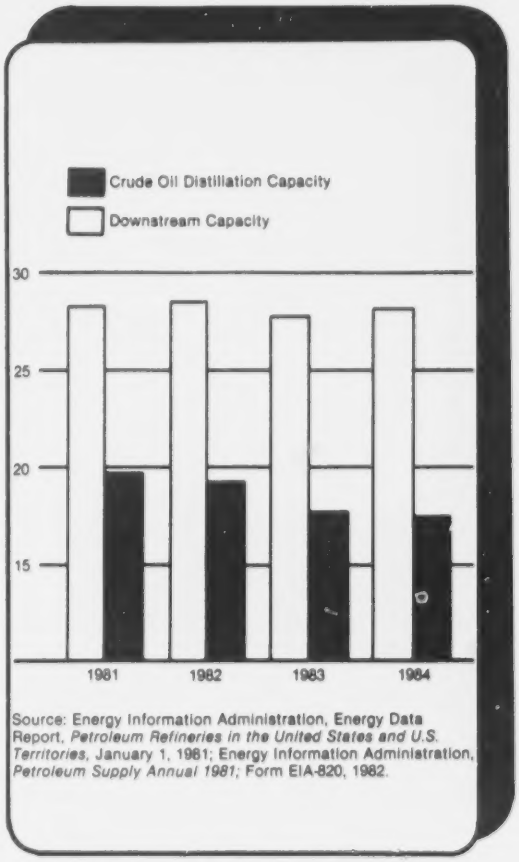
Downstream Facilities

The refineries which were shut down during 1982 had, in total, 1.1 MMB/SD of downstream processing capacity. New construction at existing refineries, the start-up of new refineries and refineries that resumed operations as of January 1, 1983 amounted to 0.6 MMB/SD and partially offset the loss in capacity at shutdown refineries. The net impact was that the nation's downstream capacity declined during 1982 by 0.5 MMB/SD. Most notable decreases were catalytic hydrotreating and catalytic cracking that accounted for 0.2 MMB/SD and 0.1 MMB/SD, respectively.

Storage Capacity

Shell and working storage capacity as of January 1, 1983 increased by 121 million barrels and 107 million barrels respectively, representing a 15 percent increase over that reported one year ago. However, only about 24 million barrels of these increases can be attributed to real growth. The remaining increases of 97 million barrels in shell storage and 83 million barrels in working storage are the result of adding gasoline blenders to the annual refinery survey frame in 1983, and a clarification of the requirement to report unfinished oils storage capacity.

Figure 1. Change in U.S. Refinery Capacity, 1981-1983 (Actual) and 1984 (Projected)
(Million Barrels per Day)



Source: Energy Information Administration, Energy Data Report, *Petroleum Refineries in the United States and U.S. Territories*, January 1, 1981; Energy Information Administration, *Petroleum Supply Annual 1981*; Form EIA-820, 1982.

Outlook for 1984

Respondents to the EIA's annual refinery survey project crude oil distillation capacity on January 1, 1984 will be 17.5 MMB/SD, a net decrease of 0.4 MMB/SD from the January 1, 1983, level. Most of this decrease is expected to result from the planned closing of seven refineries during 1983.

Although the number of operable refineries is expected to continue to decrease, the shift toward more complex refining facilities begun several years ago is expected to continue. A number of refiners are upgrading downstream processing equipment to enable them to diversify product mixes and increase yields of lighter products.

[1] See definitions with explanation of "calendar day" and "stream day."

As of January 1, 1983

	Number of Refining Companies	Barrels per Calendar Day Capacity	Percent of Total Refining Capacity
Companies with a capacity more than 100,000 B/D	30	14,185,476	84.14
Companies with a capacity 30,001 to 100,000 B/D	28	1,646,420	9.77
Companies with a capacity 10,001 to 30,000 B/D	40	801,866	4.76
Companies with a capacity 10,000 B/D or less	44	225,575	1.34
Totals	142	16,859,337	100.00

Last year's report showed 175 refining companies.

Source: U.S. Department of Energy, *Petroleum Supply Annual 1982*. DOE/EIA-0340(82)/1

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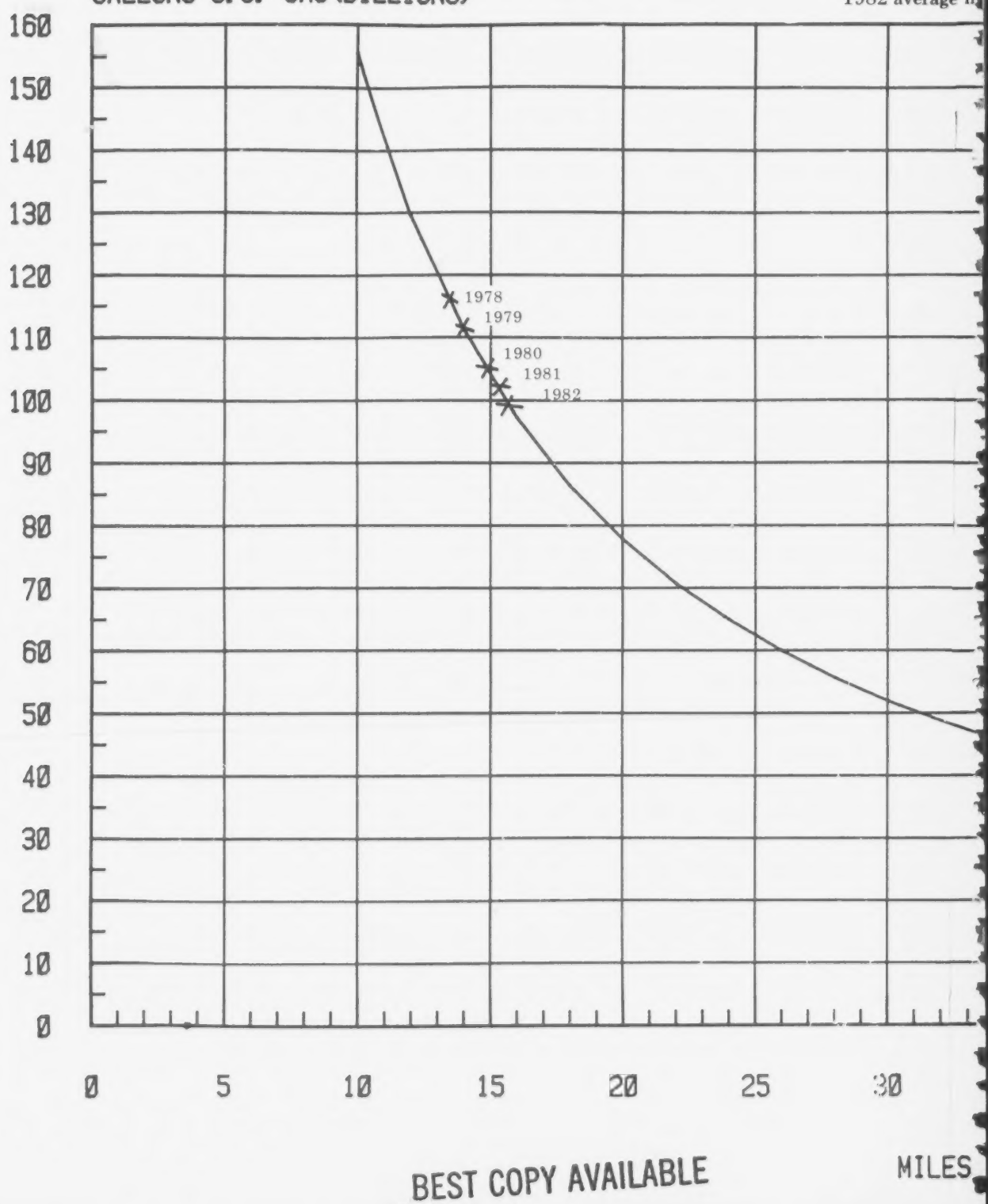

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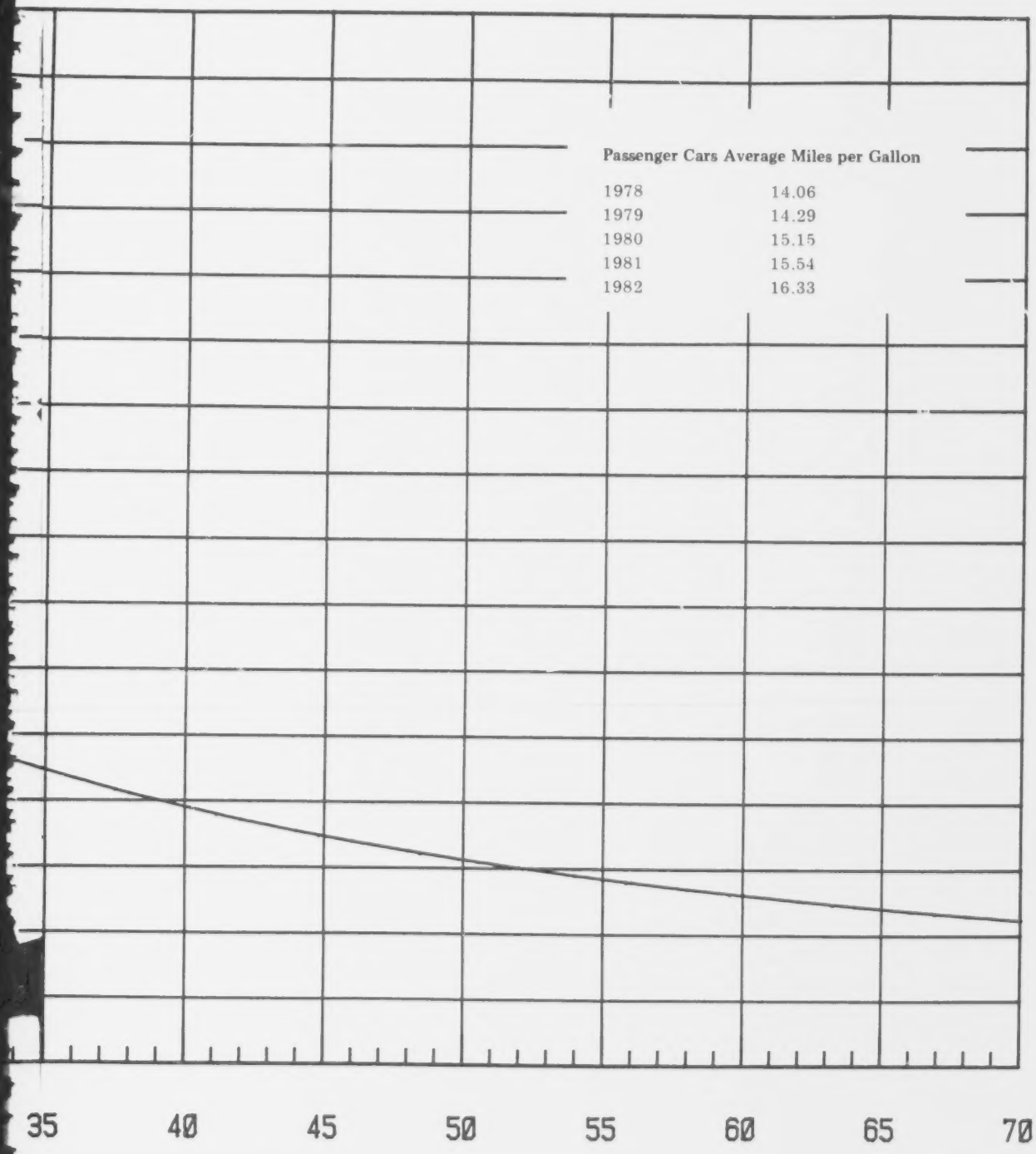

PER GALLON

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Company	1980	1981	Difference 1980 vs. 1981	1982	Difference 1981 vs. 1982
1 Exxon	N/A	N/A	N/A	N/A	N/A
2 Chevron	80.5%	73.4%	− 7.1%	58.9%	−14.5%
3 Shell	77.1%	71.4%	− 5.7%	73.9%	+ 2.5%
4 Amoco	71.3%	69.5%	− 1.8%	72.1%	+ 2.1%
5 Texaco	73.4%	69.5%	− 3.9%	64.2%	− 5.3%
6 Mobil	80.6%	74.3%	− 6.3%	74.8%	+ 0.5%
7 Gulf	79.0%	72.0%	− 7.0%	71.0%	− 1.0%
8 ARCO	88.0%	96.2%	+ 8.2%	97.0%	+ 0.8%
9 U.S. Steel/Marathon	75.3%	69.7%	− 5.6%	71.5%	+ 1.8%
10 Union	79.9%	76.0%	− 3.9%	74.0%	− 2.0%
11 Conoco/Dupont	63.7%	67.4%	+ 3.7%	74.2%	+ 6.8%
12 Ashland	74.3%	64.5%	− 9.8%	85.4%	+20.9%
13 Sohio	88.6%	80.0%	− 8.6%	79.7%	− 0.3%
14 Sun	79.0%	76.0%	− 3.0%	79.0%	+ 3.0%
15 Phillips	61.6%	75.0%	+13.4%	74.0%	− 1.0%
16 Occidental/Cities Service	N/A	72.0%	N/A	65.0%	− 7.0%
17 Union Pacific/Champlin	N/A	79.0%	N/A	72.0%	− 7.0%
18 Getty	81.6%	80.4%	− 1.2%	85.0%	+ 4.6%
19 Coastal	N/A	N/A	N/A	N/A	N/A
20 Tosco	73.1%	73.0%	− 0.1%	75.0%	+ 2.0%
21 Kerr-McGee	N/A	62.8%	N/A	65.3%	+ 3.0%
22 American Petrofina	N/A	N/A	N/A	76.4%	N/A
23 Tenneco	73.0%	70.0%	− 3.0%	77.4%	+ 7.4%
24 Crown Central	N/A	N/A	N/A	N/A	N/A
25 Tesoro	73.3%	66.4%	− 6.9%	68.0%	+ 1.6%

Source: Annual Reports of these companies.

Editor's Note: Refining capacities change from year to year.

(Originally Included in the 1982 Survey)

There has been a movement toward higher mileage cars in the United States for some time. Because of recent technological improvements in automobiles, and increased cost of gasoline, the timetable for this change has been shortened. The last dramatic increase in gasoline costs made most American drivers conscious of the benefits of higher mileage cars. The trend is in motion, and will continue until another dramatic event changes consumer perceptions. Cars that attain greatly increased miles per gallon will be purchased by most automobile purchasers. Only the timing of these purchases is at issue.

The buying public is much smarter than some businessmen believe. Consumers know when they are well served and seem intuitively to compute and take actions when the results are beneficial to them. The average car now in operation is over six years old and gets very low miles per gallon by new-car standards. However, it is paid for, and there is low social pressure to go into debt to purchase a car for status reasons. Consumers make cost/benefit calculations on a regular basis. Interest rates are a big factor, and if they go down, it will change the results of the calculations for many prospective purchasers.

There is always the tendency to extrapolate things too far into the future. Something happens or someone changes things. Neither higher mileage cars nor lower oil prices are good news for those in the oil business. If oil prices stay high, the pace of change will increase. If oil prices drop, revenues will be reduced. Unfortunately, the most likely scenario calls for a steady movement toward higher mileage cars, reduced gasoline demand, and thus lower oil and gasoline prices. The events have already occurred, and the technology is already in place. It will be interesting to watch the changing energy needs of America.

1983 Update:

The average miles per gallon for the 123 million cars on the road increased from 15.54 miles per gallon in 1981 to 16.33 miles per gallon in 1982. This was a 5% increase in average miles per gallon per car. If all other factors remained constant, it would reduce total highway gasoline consumption by 5 billion gallons a year.

The highest mileage 1984 Honda Civic, the CRX, attains a combined mileage rating of 56 miles per gallon. This is an increase of 5 miles per gallon over 1983, and 9 miles per gallon over 1981. Remember that a one mile per gallon increase in mileage for the entire automobile fleet decreases gasoline consumption by nearly 6%, or 6 billion gallons. These changes in gasoline consumption will have a profound effect on the people who market gasoline.

The trend toward higher mileage cars is accelerating. 9.5 million new cars were sold in 1982. Total automobile registrations increased by just 236,356 cars. This means that over 9 million newer, higher miles per gallon cars replaced 9 million older, lower miles per gallon cars during the year. 1983 new car sales at even higher average miles per gallon are running ahead of 1982 automobile sales.

How can we make the United States energy independent, revitalize the automobile industry, create sleepless nights for oil executives, reduce the strategic importance of the Middle East, cause oil company shareholders to jump from the Chrysler Building, end unemployment, eliminate the need for the Strategic Petroleum Reserve, make Southern California smogless, abolish the Department of Energy, and attain other high and lofty objectives?

Submit an order for 120,000,000 (120 million) cars like the Honda Civic CRX that are made in the United States and attain an average of 56 miles per gallon of gasoline consumed.

Pertinent Information:

In 1982, the average miles per gallon for 120 million passenger cars was 16.33 miles per gallon.

The total consumption of gasoline for highway use in 1982 was about 98.5 billion gallons.

The 1984 Honda Civic CRX has a combined EPA rating (highway and city combined) of 56 miles per gallon.

An increase in the average miles per gallon of 39.67 will reduce the 98.5 billion gallon U.S. gasoline market to a 29 billion gallon market.

This 70 billion gallon savings would reduce total U.S. oil consumption by 32%. During the first 6 months of 1983, the United States imported 24% of the total oil it consumed.

Other Interesting Information:

An increase in average miles per gallon from 16.33 MPG to 17.33 MPG reduces gasoline consumption in the United States by 6,000,000,000 (6 billion) gallons.

The average price paid for gasoline in 1982 in the United States was $1.28. (This figure would be less for regular.)

The savings on 70 billion gallons of gasoline per year would be 90 billion dollars.

The United States imported about 2 billion barrels of oil at an average price of $32 per barrel in 1982. Annualized, the United States spent $64 billion for imported crude in 1982.

Motor gasoline was 45% of total petroleum product use in 1982.

The average age of cars on the road in the United States in 1982 was 6 years.

The sticker price of a 1984 Honda Civic (made in Marysville, Ohio) is $6,490 (cheaper in 120 million quantities).

The cost of 120 million new Honda Civics at sticker price is $780 billion. On fuel savings of $90 billion annually, it would take 8.6 years to amortize on the fuel savings.

The average passenger car in the United States was driven 9,167 miles in 1982, and consumed 561 gallons of gasoline.

A Honda Civic driven 9,167 miles would consume 164 gallons of gasoline. It would use just 29% of the gasoline that the average car on the road now uses.

In 1978, the year of the largest car production, Americans bought 11 million cars. At that rate, it would take 11 years to produce 120 million new Honda Civics.

Eight times as many workers are employed in automobile production as in the oil industry.

What would happen if we bought 120,000,000 (120 million) new Honda Civics, or some other car that averaged 56 miles per gallon of gasoline?

Gasoline consumption, and thus oil consumption, would drop so that we would not have to import any oil.

The price of oil would drop to a fraction of its present level.

The prices of things made from oil would decline. It would cause a realignment of the cost of everything in our society.

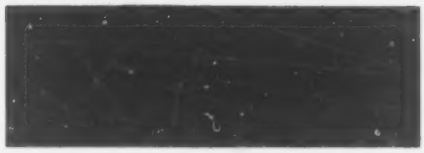
We wouldn't have to fill the Strategic Petroleum Reserve.

You would spend 7 hours less at the gas station each year. That's how much time you save buying 164 gallons versus 561 gallons a year.

The bridges in the United States wouldn't have to be widened.

Refiners would only have to produce one grade of gasoline. Retailers would only have to have one tank.

There'd be more places to park. Smaller cars would mean more spaces.



Competitive market forces within an industry inevitably lead to the development of a marketing concept by its members. This is evident in reading the annual reports of the top twenty-five oil companies of 1983. These companies say more about gasoline marketing than ever before. For the most part oil companies are learning that they must become better marketers in order to better sell their product. The marketing segment of the industry lags far behind the fields of exploration, drilling, and development. This is because the latter are believed to be more adventurous and glamorous—however, marketing is beginning to be judged a necessity.

Each company works on improving its own marketing image and profitability. Oil companies evaluate their downstream operations and are becoming leaner and more competitive. They focus on high volume outlets. In general this new competitiveness produces better facilities for the consumer.

Oil companies realize that it takes more than just a gas station to sell gasoline. It is also necessary to have an efficient system of money collection. Early last year Arco discontinued credit cards and passed the resulting cost savings to dealers and distributors. Chevron, Exxon, Phillips, and Amoco all offer discounts for cash purchases. These companies and others retain and build upon the credit card program in order to attract customers who prefer the convenience of buying products on credit. Many oil companies honor all oil companies' credit cards and some accept bank credit cards. This makes dealers more competitive. With this "all acceptance" program consumers can go to the station that offers the lowest prices and best services, rather than being limited to shopping at a particular gasoline station because that company gave them credit. In addition this program can develop brand loyalty among customers, when the customer discovers that the gasoline station on the corner accepts all credit cards and gives great service at a low price.

Using automation to reduce the cost of selling gasoline is a coming concept. Certainly this method is impersonal but it is fast, efficient, and convenient. Texaco, for instance, has some pumps that are automated by a credit card. In addition to adding another concept to the marketing of the industry, it is also an efficient method of money collection.

In gasoline marketing there is a growing trend towards one-stop shopping at service stations. Union, among other companies, focuses on the customer by offering full and self-service gasoline islands, Auto/Truck stops, quality products, and a repair program. Tenneco is installing a truck stop program which makes use of what the company has learned about high-volume, self-service, cash-only operations. Crown offers multi-pump stations which provide both full and self-service 24 hours a day, seven days a week, accepting credit cards in clean, modern facilities.

There is a surge in the industry to redesign retail facilities to improve efficiency and sales. Most of the oil companies are developing a marketing concept by redesigning retail outlets, adding new graphics and bold colors, and in some cases opening new stations.

Shell is a primary force in this trend. They are automating selected stations so that self-service pumps can be controlled from a central booth, operated by a single cashier with a computerized cash register. Shell also added food stores, plant and gift stores, and repair departments to many of its stations.

Some of these efforts go to the extreme. One of Shell's new outlets has a large sign that advertises "Baskets Macrame Plants Gifts." I browsed through this Shell station wondering who would buy any of the above at a gasoline station. They are certainly not the usual tie-in items. In addition, I found that the selection consists primarly of three kinds of plants, a few pots, and several flowered combs. Perhaps Shell is going through an identity crisis and is going off in all directions in hopes of finding a solution.

Gasoline marketers fine tune their advertising methods by letting consumers know about low prices and extra services. Arco's Fall advertising campaign touting low prices has heightened oil company competition. Since the ads have been released, motorists throughout California, Arizona, and Nevada are paying less for gasoline than before.

The oil companies are trying to give added convenience to the customer and change the image of just being a place to buy gasoline and a can of oil. A good gasoline marketer is one who gives their customers the most for the money by allowing consumers to shop in the friendliest, cleanest, and best-presented outlets. Not all of these attempts make a lot of sense but at least there is increasing effort. A new concept of gasoline marketing is dawning in 1983.

We thought that our readers would be interested in knowing what Dan Lundberg has to say about Gasoline Marketing. Dan is the publisher of the Lundberg Letter. *We asked him for a short, concise statement on the current status of gasoline marketing. We asked him how he thought gasoline would be marketed in the future. We also wanted to know who would market gasoline. Here is his contribution exactly as submitted . . .*

LUNDBERG LETTER

Weekly Vital Statistics and Analysis in Oil Marketing

The outlook for entrepreneurial businessmen in gasoline marketing is great for those ready to break old molds.

The extensive pull-outs by integrated oil companies from so many unprofitable geographic and sub-marginal wholesaling and retailing outlets, present almost yawning opportunities for those locally entrenched and outside newcomers ready to seize them.

The question is whether those new entry opportunities are also going to be profitable entries. If the big companies with all of their flexibility cannot make it in a given locality, how can entrepreneurs, depending upon big company supply, then cut the mustard themselves?

Since 1977, 52,000 fewer gasoline stations are around to share the still declining rate of consumption. Our peak year was in 1978, with 115.4-billion gallons used. This year, we will use little more than 100-billion gallons. Somehow, the entrepreneur seeking to fill vacuums in supplying and serving the increasingly price-sensitive motoring public, must come up with new ideas and have the balls to inaugurate them.

Recently, I was visiting with a convenience store operator who demonstrated such virtuosity and willingness to act on an instant of reflection, that it bears mention as an illustration of what can happen when these gents push their way into the future.

The man had shown me his new design for two new convenience stores that would replace the smaller supermarkets he had bought precisely for that purpose. His new stores were to have inventories to fairly rival the obsolescent supermarkets he had shut down. Below ground he was putting in 12,000 gallon tanks under generous canopies to shelter multi-pump island that should attain high pumper volumes.

On impulse, I said, "What're you doing with all that extra parking space?" He said that was for the convenience store drivers that didn't buy gasoline. So I said, "Why not make that space available only by turnstyle, as an option only open to motorists who have bought gasoline, and want to park and buy groceries?"

He blinked, and started to say that many motorists would opt to drive back into the traffic they came from. But he didn't take another moment to quibble. He grabbed a phone and called his architect, and yelled: "Hold everything. The only ones who get to park free is those who've bought gas, get it? Turnstyles! Liftgates! Spikes in the exit lanes for everybody else! Do it!!!"

He turned and stared. "Dan, I'm going to break an old rule," he told me. "I never give any free gas. But you came in here because you were going to write a piece for John Roscoe. OK. At my Grand Opening, you've both got a free fill coming. Any more ideas? Just spit them out, I mean it!"

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Gasoline marketing and modern art have this in common: most people are sure their eight-year-old knows enough to be successful in both. That's exactly what's wrong with the gasoline market: everyone and their eight-year-old sells gasoline.

Actually overcrowding is much less of a problem today than it was a year ago. Many marketers have cut back on both their efforts and their number of outlets. The idea is that if you have less, you can't lose as much.

Most marketers, both past and present, agree on one thing: gasoline marketing is still a crummy business. And, unfortunately for their shareholders, almost all gasoline marketers have the figures to prove it.

Is there no hope? Is there nothing to be proud of in gasoline marketing? Well, gasoline marketing has this great advantage over modern art: although few agree on "what is art?", all marketers know "what is profit?" Profit is good. The problem remaining is "what is profitable?"

Great artists develop convictions of vision—that is, ways of seeing the world that form the structure of their art. Great merchants also develop convictions of vision: in their time and place, great merchants envision the market and their role in it in a way that makes them prosper. That vision is the answer to "what is profitable?" If the vision is wrong, then the merchant doesn't prosper and he isn't classified as a great merchant. If the merchant doesn't develop that vision and the principles of operation that go with it, then he still isn't classified as a great merchant—and he probably doesn't prosper either.

Market segmentation is one type of "vision". As of this writing, the most successful marketers are those who concentrate on a chosen segment of the gasoline market. Union Oil of California is one. It specializes in the high end of the market: on the premium grades of gasoline, on unleaded, and with an emphasis on full service. It was one of two companies in this survey to show earnings growth in 1982. The other was Arco. Arco has created an image as the low price leader in the gasoline market. Almost everyone (and their eight-year-old) feels that gasoline customers are price shoppers, but only Arco has gained the reputation of low price by making it the cornerstone of their marketing strategy.

Arco and Union stand out because their approaches differ from the norm. However, operating within the norm doesn't preclude a marketer from showing convictions of vision. Amoco, as an example, has been utterly conventional. When it was the norm to close stations, Amoco closed stations. When marketers began to look at center kiosks, Amoco built center kiosks. While others discussed corporate cost control, Amoco bragged about cutting expenses. Many marketers charge for credit; Amoco asserts that "discount for cash" is the way to sell lots of gasoline. When you hear the norm from Amoco, it sounds like principle. What sets Amoco apart is that unlike most other marketers, Amoco seems to believe that the norm is the right way to do business. For them, the norms are the principles. You may disagree with those principles—that the principles are based on faulty premises, that they don't hold up in practice, or that they aren't original or profitable—but Amoco continues to increase its share-of-market while those with less fervent devotion to principles suffer. Faith, though it may float in the seas of fashion, is a requirement for profitable action.

On the surface, gasoline marketing seems pretty simple: you put up an outlet, people come in, and you exchange gasoline for money. What need is there for principles? Certainly blind faith in current methods will not produce long term profits. When the design of the typical outlet changes (as it did recently when it seemed that everyone got their hands on the same Citgo blueprint), or when advertising campaigns come and go, it shows that methods must change for the sake of future profitability. Mere methods are not principles in themselves. Besides, there's neither enough logical behavior in the market, nor enough demonstrable cause and effect in most marketing decisions, to enshrine any method either as a principle or as a sure source of profit. However, principles as perceived and put in practice, are methods. A progressive merchant expects that his current methods will lead him to a better understanding of the principles that produce profits. The fact that profits can be made when the people who are responsible for the execution of a marketing plan *understand* that there are principles behind it, argues for an investigation of principles for the sake of profitability.

Probably every marketer is convinced that he works on principle. For many, though, especially in large companies, their principles are designed more for personal advancement than for the advancement of the corporation. In others, low work standards rule out the implementation of principle. As an example, in Sohio's "On the Way" outlets, poor ideas and slipshod execution will distract them from enlightenment for the foreseeable future. Corporate arrogance is another stumbling block. The vaunted Amoco, for example, is unlikely to consider any idea unless the organization convinces itself that the idea was thought up in-house. Amoco's arrogance makes it harder for the company to improve its methods. The greatest advantage that the truly principled few have is that although everyone claims to be strong, few search for the ways to become stronger.

Unlike artists, who expect to be appreciated for their work, merchants need no acclaim in order to be great. All they need are profits, and some precautions so that they can keep their profits. A principled approach to business lends some moral justification to one's actions and one's profits. Today Arco is using principle as a justification in the case of the Alaskan pipeline tax shelter.

Read twenty-five annual reports and you'll expose yourself to an unhealthy amount of rhetoric and hype. In most of the industry, rhetoric passes for principle and hype for understanding. The difference is that principle and understanding are the basis for action—rhetoric and hype are merely spouted—and results show which is which.

In any case, the mediocre are unprincipled. They do the obvious, and the obvious is what everyone else does. They close; they build; they charge; and they complain. However, the mediocre are also the hope of the industry: their poor performance might push them out of the market. That might make it a decent place for the survivors.

The market is the jungle, and profits will be made by bringing order to that jungle. The order that the jungle lacks is principle. What has to be done on a concrete level is obvious: volume per outlet in volume-oriented outlets has to increase; service-oriented stations need more margin cents per gallon than they are getting today; in both cases, profit per outlet must grow in order to justify the continued existence of those outlets. Achievement of those goals will require art: art based upon fact and order and practiced skill.

WHAT ABOUT THE ANNUAL REPORTS THIS YEAR, HOW DID THEY HANDLE GASOLINE MARKETING?

Hear No Evil, Speak No Evil, See No Evil. They cut the number of pages on gasoline marketing from 40 pages to 21 pages. Gasoline sales represent 41% of the total product sales of the oil companies, yet they devoted just 1½% of their annual reports to this topic.

I was naïve. Last year, I said they had a sales problem and would begin to devote more attention this year to the marketing of their most important product.

BUT DON'T THEY HAVE A SALES PROBLEM? WEREN'T THE TOTAL DOLLAR SALES OF EXXON OFF 11 BILLION DOLLARS? DIDN'T STANDARD OIL OF CALIFORNIA SUFFER A 17% DECREASE IN TOTAL WORLDWIDE PETROLEUM PRODUCT SALES?

That's true, but it appears they do not yet perceive they have a sales problem.

WHAT DO THEY TALK ABOUT?

Well, they are a bit confused. They've had a lot of big problems to solve in the past few years. They've been very successful.

Four years ago, oil executives had to solve the energy shortage. They did a great job.

Three years ago, oil executives had to worry about the world economy. Sales were going to be alright when the world economy recovered.

Last year, oil executives worried about the United States' economy. It was important, but they had to share the worry with a lot of other companies' executives.

This year, oil executives have been worrying about the oil industry. It's alright to have problems in your company, if everyone in the industry has problems, too.

WHAT SHOULD THEY BE WORRYING ABOUT?

They should worry about their company and how they are going to fit into a changed world and national energy environment. They need to figure out how to efficiently sell that which they produce. Maintaining share of market in a dwindling market is not a healthy corporate strategy.

WHAT'S THE STATUS OF THE GASOLINE BUSINESS TODAY?

Too much refined product compared to demand. Too much refining capacity. Too many stations doing too little volume. Declining consumption. Increasing gasoline taxes further dampening demand. The price of refined product is low in relation to the costs of crude oil and refining costs.

WHAT ARE THE OIL COMPANIES DOING ABOUT THIS?

Making their refineries more efficient by spending lots of money, so all of them can be "The Low Cost Producer."

WHAT WOULD YOU DO IF YOU WERE AN OIL COMPANY?

I'd continue the lowest cost producer strategy at the refining level and I'd get out of gasoline marketing.

WHY?

1. They don't know how to do it efficiently. Times have changed and, organizationally, they have been unable to adapt to changing conditions. Their decision makers aren't marketers. Their costs continue to be higher than non-oil company marketers. They have not nurtured their marketing staffs.
2. They have mind sets about how marketing ought to be done. They are production-oriented rather than marketing-oriented. It is doubtful this problem can be overcome.
3. They don't have to sell gasoline at retail. It was a good way for them to start out, but they don't have to do it anymore. They should devote all of their efforts to areas where they have expertise.

YES, BUT WHY SHOULD THEY REALLY GET OUT OF GASOLINE RETAILING?

Because they are going to lose a lot of money trying to retail gasoline. The costs of maintaining a retailing outlet continue to increase. Gasoline is going to be sold on a different basis by different people. Buying product is no longer a problem for retailers and the value of brands continues to diminish. Retailing has become a specialty that takes great concentration.

DO YOU NEED TO BE ABLE TO FIND OIL AND REFINE OIL TO SELL GASOLINE?

No, these things are probably disadvantageous today. Retailing has become very costly and quite complex. Gasoline retailing is no longer a stand alone business. The retailing end of an oil company won't be able to afford to be held hostage to the rest of the organization.

WHAT'S BEEN MISSING IN GASOLINE RETAILING?

Efficient mass market retailers. Gasoline is a simple product to distribute and sell. It can't pay the costs in maintaining a retail outlet. It must be combined with some other retailing form.

WHY HAVEN'T MASS RETAILERS GOTTEN INTO THE GASOLINE BUSINESS IN THE PAST?

It's not been an attractive business from a return on investment standpoint. Product has been hard to get on a competitive basis. There has been a labor factor. Oil companies could afford to operate stations at a loss and still do alright.

IS THIS CHANGING?

It is changing. Distribution channels have changed so that mass marketers have an option as to where they can purchase gasoline. Gasoline has been cut loose from its historic distribution channels. Retail chains are more powerful and more competent. Margins are slimmer, so the losses from inefficient or excess operations can be staggering.

WHAT DO YOU HAVE TO DO TODAY TO BE A GOOD GASOLINE RETAILER?

1. Not have ties to an existing and obsolete distribution system.
2. Have the money to invest in new, well placed, modern facilities.
3. Know and practice retailing principles.
4. Be committed to making gasoline buying as pleasant as possible for the consumer.
5. Have a knowledge of product markets.

WHO IS GOING TO SELL GASOLINE AT THE RETAIL LEVEL?

Those who can make money doing whatever else they do even if they don't make any money selling gasoline. A few philanthropic oil companies will continue to try to market gasoline at retail. Oil companies should list gasoline marketing under their charitable contributions list.

WHO IS GOING TO LOSE MONEY TRYING TO RETAIL GASOLINE?

Anyone who needs the margin dollars from the sale of gasoline to pay for any of the costs of their operation. Gasoline retailing will be an accessory to other types of retailing until many tens of thousands of outlets disappear.

WHAT WILL HAPPEN WHEN THE OIL COMPANIES DECIDE THEY AREN'T GOING TO BE IN THE GASOLINE BUSINESS AT THE RETAIL LEVEL?

Since the oil companies often tend to move in lock step, they'll all move towards the exits at the same time. At some point, it will be like someone yelled "fire!" in a crowded theater. They say not everyone can get through the exits at the same time. There will be a great opportunity for those positioned to be the next generation of gasoline marketers.

WHAT SHOULD AN OIL COMPANY DO IF THEY DECIDE THEY WANT TO GET OUT OF THE RETAIL GASOLINE BUSINESS?

If you have first class retail locations in California, call me at (707) 745-6691. I promise not to integrate backwards.

HOW WILL GASOLINE BE SOLD IN THE FUTURE?

Gasoline will be sold on an unattended basis. The dominant form of payment will be cash. Gasoline will share real estate facilities with some other type of commercial use. The gasoline operation will be incidental to the operation of that other business.

All gasoline operations today are obsolete. Today's units will operate at an economic disadvantage to the units to be built in the next few years. The economic life of most present gasoline retailing facilities is shorter than their owners know.

The purchase of gasoline will be simplified and buying gasoline will not be as onerous to the purchaser as it has been in the past.

STATION COUNTS: HOW MANY ARE THERE?

Obviously, far too many.

Everyone has a guess. Some of those guessing have gone to a lot of effort to arrive at their guess. Each guess portends to be the authoritative guess.

We looked at the annual reports of the 25 largest oil companies, and they said they operated 182,987 stations at the end of 1982. We think C-type stores operate about 30,000 units. It's obvious that those talking around 200,000 for the total number of gasoline dispensing units in the United States are undercounting.

My guess is that we still have over 300,000 retail outlets selling gasoline.

DID THE 25 LARGEST OIL COMPANIES CUT THEIR RETAIL OUTLETS DURING THE YEAR?

Yes, by 9,482 stations. They operated 10% less stations in 1982 than they did in 1980. Here's a better breakdown:

	Number Reported	Number Closed	%Decline
1980	203,359		
1981	192,469	10,890	5.3%
1982	182,987	9,482	4.9%

WHAT ABOUT DEALERS? IS THERE A PLACE FOR THEM?

Not as we've known them. Their main function in the next few years will be to hire attorneys to sue oil companies.

WHAT ABOUT JOBBERS? IS THERE A PLACE FOR THEM?

Only as marketers. Enough supply has bypassed the jobber to eliminate any power he still might have in most markets. The delivery function is not very complex. The jobber's only claim to the gasoline business seems to be that his father was in the business.

Given an efficient market system for the sale of gasoline from efficient refineries, large retail organizations will all but eliminate yesteryear's functionaires. Some of these people may become good at some other type of retailing. Fortunately, most jobbers owned the real estate and can retire on that.

WHAT'S THE AVERAGE GALLONAGE PER OUTLET IN A 98.5 BILLION GALLON MARKET?

	# of Outlets	Gallons Sold Per Year	Gallons Sold Per month	Gallons Sold Per day
If only the top 25 Oil Companies had their present outlets.	182,987	538,289	44,857	1,474
If there were just 211,000 outlets as shown by the Lundberg Survey.	211,000	466,824	38,902	1,279
If I'm right, and there are more than anyone thinks.	300,000	328,833	27,361	901

HOW MANY MARGIN DOLLARS ARE AVAILABLE TO PAY EXPENSES AND DEVELOP PROFITS?

In a 98.5 billion gallon market, if there were only 182,987 stations, it would come out as follows:

Margin Cents Per Gallon	Total Margin Dollars Available Nationwide	Yearly Margin Per Unit	Monthly Margin Per Unit	Daily Margin Per Unit
10 cents	$9,850,000,000	$53,828	$4,485	$147.47
8 cents	7,880,000,000	43,063	3,588	117.98
6 cents	5,910,000,000	32,297	2,691	88.48
4 cents	3,940,000,000	21,531	1,794	58.99
2 cents	1,970,000,000	16,416	1,368	44.98

TEN CENTS A GALLON SEEMS LIKE A LOT OF MARGIN PER GALLON.

It has been in my experience. Volume outlets will be lucky to see 5 cents a gallon margin in the future. There will be someone who has a reason for selling at that margin or less for a long time.

There are going to be some very high gallonage units in the future. These units will sell gasoline at very low margin cents per gallon. Their ability to sell at such low margins will be based on their cost efficiencies. There will only be room for a few non-price competitive units in unusual locations or with unusual product tie-ins.

ARE YOU GOING TO TELL US HOW YOU SPECIFICALLY REALLY THINK GASOLINE IS GOING TO BE SOLD IN THE FUTURE?

No, so let's go on and talk about some other things.

WHAT ABOUT THE DEBIT CARD? EVERYONE I KNOW IS GA GA OVER IT. WILL IT WORK?

It appears it is technologically possible. It will work for a certain market segment. It is doubtful that the mass market for gasoline will ever be serviced through the use of the debit and/or credit card.

HOW BIG IS THE MARKET FOR THE DEBIT CARD FOR GASOLINE?

Somewhere around the same size as the credit card segment is today. That is somewhere between 20 and 30% of the total gasoline market. That is, if you don't charge the customer for the transaction cost.

THAT IS PREPOSTEROUS. EVERYONE SAYS THAT MOST GASOLINE WILL BE SOLD THIS WAY. WHY WON'T IT WORK?

1. The folks don't all have money in their accounts.
2. The costs will be too high.
3. Customers won't pay more than the cash price for the privilege of having the money zapped out of their accounts.
4. The replacement and repair costs for pumps where the card has been inserted and no gas has come forth will be too high. Customer tolerance for system malfunctions is less than 60 seconds. No jury will convict a person for violent action against automated equipment.
5. Someone who hasn't gotten the word that this is the way you sell gasoline, won't make the investment. He will have lower operating costs, sell gasoline cheaper, and capture the mass markets.

WHO IS GOING TO PAY FOR THE COSTS OF THE DEBIT CARD?

The other guy. The oil companies seem to think the banks and the customers will pay the transaction costs. The banks believe the oil companies and the customers will pay for the costs. The customer knows darn well he won't pay. He can see the cash price down the street and his computer tells him that cash is a better deal.

WHY WILL DEBIT CARD SYSTEMS BE INSTALLED?

Because it can be done.

HOW BIG A BUSINESS CAN THE C-TYPE STORE BUSINESS BE?

Let's look at the total size of its two core areas: gasoline and food store sales. These stores have, and will continue to capture, a higher percentage of total national gasoline sales than they do of total food store sales.

The total national gasoline gallons sold in 1982 was 101.8 billion gallons. At today's prices, that is about a $120 billion dollar market. C-type stores already have 12% of this business. The total market has shrunk 9% since 1978 and will continue to shrink.

The national food store business was a $252 billion dollar business in 1982. About a third of this total comes from meat and produce, which are items not traditionally sold by C-type stores. The food store business is undergoing its biggest change since the 1930's and the emphasis is toward greater efficiency and much lower margins. This trend is counter to the present operational philosophy of C-type stores.

In 1982, just 6% of the total food store business was done in C-type stores, making it a $15 billion dollar business. If C-type stores could get 10% of the total national food store business, it would be a $25 billion dollar business. The 1981 Dollars Per Day Survey showed that the average store in the survey did $1,222 a day in store business, or $446,030 a year.

WHAT IS THE PURPOSE OF YOUR TELLING US THIS

People entering this business need to know its limits. Retailers tend to think that all markets are infinite. They are not. They are limited by the disposable income of consumers. In addition, many convenience dollars are discretionary dollars. Not all oil companies and gasoline marketers can save their locations or their businesses by adding a small food store.

WHAT IS THE VOLUME POTENTIAL?

It depends on how many people open C-type units. Let's take a look at it:

Present State # of Stores/Gas	If Total Sales Are 6% of National Food Store Business Average Daily Sales	If Total Sales Are 10% of National Food Store Business Available Daily Sales	98.5 Billion Gallons Gas Market Average Daily Average per Unit 1,101 Gallons
50,000 C-Type Stores with 29,641 Gas Units	$328	$1,380	12%
75,000 C-Type Gas and Food Stores	$552	$ 921	22%
100,000 C-Type Gas and Food Stores	$414	$ 691	32%
200,000 C-Type Gas and Food Stores	$207	$ 345	72%

WHAT DOES IT TAKE IN SALES TO MAKE IT IN THE C-TYPE STORE BUSINESS?

That depends on your expenses. As a very minimum, I wouldn't plan on opening any unit where I didn't expect to average $2,000 a day inside the store and sell 3,000 gallons of gasoline.

HOW FAST IS THE COMBINATION GAS AND FOOD STORE GROWING?

Too fast. We estimated in 1976 that 1% of all gasoline sold in the United States was sold from this type of unit. The total passed 12% in 1982. We now estimate that it will exceed 20% of national gasoline sales by the end of calendar year 1985.

Remember that there are nearly 300,000 outlets in the United States that hope to continue to sell gasoline. Every combination store that opens puts greater pressure on conventional gasoline retailers. We aren't far from the point where someone yells fire and a lot of oil companies will be looking for the exit.

WHAT IS THE MOST CHANGED MARKET YOU HAVE OBSERVED?

Montana. In Montana, it appears that the breakdown of stations by function is about as follows:

60% - C-Type Stores Combining Gas and Food
10% - Tire Stores and Car Washes
10% - Gasoline and Towing Services
20% - Semi-Conventional Service Stations
100%

I'm confident that over 60% of the gasoline sold in Montana is being sold through gasoline and food store combinations of the C-type store. Almost all of these operations were started by gasoline operators who added food.

WHAT HAPPENS TO THE TRADITIONAL CONVENIENCE STORE WHEN THIS HAPPENS?

Southland (Seven Eleven) had 17 stores in Montana. Either their executives gave up hunting and fishing, or they were losing a lot of money. They have sold their units and have left the state.

In the first battle decision between gasoline and convenience food store operators, the local gasoline operators won. This "pre-season" decision is something operators on both sides of the field need to ponder.

WHY DID SOUTHLAND GET INTO THE REFINING BUSINESS?

You got me. Here are some possibilities:

1. Maybe they think they are buying assets cheap. After all, the oil companies are still investing millions in refining.
2. Maybe they own the mineral rights under their 7,165 stores.
3. Perhaps they think there will be a future product shortage.
4. They want to play in a bigger pond.
5. They were paying more than market rates for the product they were buying.
6. They were having trouble getting product.
7. They plan on being the dominant gasoline refiner and retailer in the country.
8. They took bad advice.

DO YOU THINK SOUTHLAND SHOULD HAVE PURCHASED CITIES SERVICE?

It doesn't matter what I think. It's their deal, of course. They've done mighty well at what they've done in the past. As a kibitzer, I'm with the man who said, "Thou shalt not integrate backwards." I doubt that Honda will buy the steel making facilities from U.S. Steel.

It appears we are in a buyers' market for gasoline. Large company marketing people invariably say they'd consistently increase their units' profits if they could buy at market prices and not have to support the refinery pricing decisions and market needs.

Retailers need to be fast on their feet. From my point of view, it's good to see that Southland has added some weights to theirs.

DO YOU NEED TO SAY SOMETHING ABOUT ARCO?

I was intrigued by their four basic operating strategies as outlined at their annual meeting. Strategy three is: "Harvesting our previous capital investments in downstream petroleum operations."

I know they have a great refinery utilization rate, and that they are moving a lot of product at very low prices. I also note their earnings from refining and marketing dropped by $128 million dollars or 47% in the first six months of 1983, from a like period in 1982.

The harvest this year appears a bit lean. The low ball cash gasoline customer is without brand loyalty. The question remains, "Have they really planted a marketing strategy that can be harvested profitably?" And, do they have annuals or perennials out there in the fields?

WHAT KIND OF MILEAGE DO NEW CARS ATTAIN?

Here are the fleet averages we obtained from the Public Affairs Departments of the automobile manufacturers listed below:

	1980	1981	1982	1983	1984
General Motors	21.9	23.2	24.1	23.5	Not yet public—expects to be below
Ford	22.1	23.3	24.5	23.8	Estimated Range: 25 to 25.7
Chrysler	21.3	26.5	28.4	27.0	Not yet available—expects to meet or surpass
Honda	29.2	30.8	33.4	36.2	Has no information about 1984 at this time
Cafe Requirements	20.0	22.0	24.0	26.0	27.0

WHAT HAPPENED TO U.S. PASSENGER CAR EFFICIENCY ACCORDING TO THE UNITED STATES DEPARTMENT OF TRANSPORTATION?

They compute these figures the first of October each year for the preceding calendar year. For 1982, the average car went from 15.54 m.p.g. to 16.33 m.p.g.

If all other things were equal, that would affect gasoline consumption by 5% or reduce the total gasoline gallons sold by 15 billion gallons. Fortunately, the car registrations increased by 236,356 cars, and the average distance traveled by each car increased to 9,167 miles.

Let's face it though. As interest rates fall, older, higher gasoline consuming vehicles will be replaced with newer models. The total usage of motor gasoline is going to fall drastically. The drop in consumption is a certainty. Only the timing of the drop is in question.

IS THERE OPPORTUNITY IN GASOLINE RETAILING?

Probably. I wouldn't want to be making much of an investment in the types of units I see the majors constructing today. There is too much invested in gasoline marketing facilities now, and much of it will be liquidated in the future. It will be difficult for those who have made large capital investments in this area to face up to the new environment.

Mass gasoline retailing will, for the most part, be conducted by different people and different organizations than have sold gasoline in the past. It is not a sure thing. Some of the new entries may get trampled as yesterday's marketers head for the exits.

IS THE OIL BUSINESS A GROWTH BUSINESS?

Not in the short run at least. In both dollars and units there will be decreases in the size of the numbers. Through 1981 the increased price per unit helped conceal the declines in real volume. The trend toward energy efficiency and conservation is so strong and the potential savings from rational actions so great, there will be a steady decline in the consumption of petroleum.

WILL GASOLINE LEAD THE WAY?

Yes, but there will be energy savings in most areas of our lives. Some of the savings will be made from simple things like turning off electric lights. Some of the savings will come from technological changes that require capital expenditures. Price has affected how we feel about energy consumption. The recession has heightened our awareness of the need to change and conserve. There is an attitudinal change underway and the end of the recession will not bring back the per capita unit volumes of yesterday.

Gasoline consumption will have the fastest change. When the rewards of buying a new high mileage car exceed the costs of keeping yesterday's car, we'll see greatly reduced consumption. The die is cast.

WHAT WILL BE THE MAJOR CAUSE OF A REDUCTION IN DEMAND FOR GASOLINE?

More efficient automobiles. All new cars use less gasoline. It is hard to believe that in 1981 the average passenger car in the United States (of which there were 123 million) attained an average miles per gallon of just 15.54. To date, this figure has increased only 2.44 miles per gallon over the 1973 average. That's because the average age of cars on the road is 6½ years (the average car is a 1975 model).

WHAT KIND OF MILEAGE DO NEW CARS ATTAIN?

Chrysler's 1982 corporate average was 28.4 miles per gallon. The 1983 Honda Civic and several other vehicles achieve city and highway averages of over 50 miles per gallon.

WHAT WOULD HAPPEN TO GASOLINE CONSUMPTION IF THE UNITED STATES FLEET AVERAGE ATTAINED CHRYSLER'S CORPORATE AVERAGE FOR 1982?

If the entire U.S. passenger car fleet were to achieve 28.4 miles per gallon in 1982 and all other factors remained constant, we'd have a 56,000,000,000 (56 billion) gallon gasoline market. That would be a reduction of 44,000,000,000 (44 billion) gallons from 1981. At last year's prices, about $59 billion less would be spent for gasoline. Contemplate what this would do to the amount of money available for exploration, production, and refinery modernization.

BUT AREN'T YOU IGNORING A LOT OF OTHER IMPORTANT VARIABLES?

Sure. We are not considering time, consumer preference, consumer awareness, personal lifestyle and affluence, availability of vehicles, capital availability, pickup trucks and vans, and the number of miles actually traveled. We've taken an admittedly simplistic approach, but no one is ever given perfect knowledge. A lot of decks are about to be reshuffled. The tide has changed. Given present conditions, future technological improvements and a return to prosperity, I wouldn't rule out a 50+ miles per gallon national vehicle average in my lifetime.

WHAT CONVINCED YOU THERE WAS TOO MUCH OIL?

I read the current topical book on the subject, **Global Insecurity: A Strategy for Energy and Economic Renewal** by Daniel Yergin and Martin Hillenbrand. The case they make for continued shortage and a third oil shock convinced me the energy problem will be one of over-supply, not one of shortage. Only the force of government can make an energy shortage in the next twenty years. We are in for some tough years in gasoline marketing.

WHAT DO YOU THINK WILL HAPPEN TO THE PRICE OF CRUDE OIL?

Absent government intervention (how can one even suggest the government won't intervene), the price of crude oil must decline. No cartel has ever lasted. One barrel of oil too little and we have a shortage, one barrel too much and there is price pressure. Prices are set at the margin. To date, all domestic producers of oil have been able to sell every barrel of production. When the first barrel of domestic production needs a buyer, oil prices will decline.

WON'T UTILITIES TAKE UP SOME OF THE SLACK?

Utilities are more store-blind than oil companies. They have excess capacity and don't recognize it. I'm only mentioning it because electric consumption will decline for the first time this year, and I'm considering a report on this industry.

WHAT ABOUT GOVERNMENT INTERVENTION IN THE OIL BUSINESS?
HOW DO THE OIL COMPANIES FEEL ABOUT GOVERNMENT INTERVENTION?

About like everyone else. They are against it when it hurts them, and they are for it when it helps them. It's made for some good years.

It's hard to for anyone to be pure about this. In free markets, there has always been over-supply. When over-supply conditions exist, businessmen tend to try to use the force of government to keep competition from hurting their interests. Only government action can create an oil shortage. Prices, profits, and return on equity are all better in times of short supply. Keep your ear tuned for industry leaders advocating government intervention for high moral purposes.

HOW MUCH DOES AN INCREASE OF 1 MILE PER GALLON AFFECT GASOLINE CONSUMPTION IN THE UNITED STATES?

If all other factors remain constant, and they never do, it would decrease consumption by 6 billion (6,045,000,000) gallons. If the average miles per gallon had been 16.54 instead of 15.54 in 1981, we would have used 6 billion less gallons of gasoline.

WHAT WOULD THIS AFFECT?

Everything. It will surely have an effect on oil company economics. It will also change many relationships in the entire economy.

ARE THE OIL COMPANIES IN TROUBLE?

Are you kidding? Last year I said rich folks can afford to be foolish longer than poor folks. The major oil companies are very rich folks. They have lots of assets that give them lots of time to change.

In reading the reports of the smaller companies, it is obvious that they are making changes fairly quickly. It's also obvious that they are going in a different direction than the top ten companies. To date, most of the volume losses have been taken by the top ten companies. Most of the service station closures have been made by them. It's obvious that different-sized companies are reacting to change in different ways.

WHAT WOULD YOU DO IF YOU WERE AN OIL COMPANY?

I don't know. We've had a sea change, and no one can stand against the tide. I have enough problems just being a gas marketer.

LET'S TALK A BIT ABOUT GASOLINE MARKETING. WHAT HAPPENED TO THE SERVICE STATION POPULATION DURING THE YEAR?

The 25 refiners in this report operated 191,712 stations at the end of 1981. That is a decrease of 11,647 stations over the previous year. The small food store industry increased the number of gasoline units they were operating by about 1200 gasoline dispensing units.

WHAT ABOUT ANNUAL REPORTS THIS YEAR? HOW DID THEY LOOK?

There was a 33% increase in the space devoted to gasoline marketing. Total annual report pages declined by 1%. I predict more station pictures in the years ahead as the oil companies begin to worry about selling things.

ARE OIL COMPANIES UNIQUE?

Apparently. In the annual reports, almost all companies believe they possess unique competitive advantages. All are well positioned to meet formidable challenges. All are established leaders in production, marketing, and distribution. Most are cost effective, efficient, and close to market. Almost all had a far higher refinery utilization rate than the industry average. Most either have or are diversifying into non-energy related businesses.

ISN'T THE ABILITY TO REFINE SOUR CRUDE AND PRODUCE HIGHER VALUE PRODUCTS THE RIGHT STEP?

It must be. The entire industry is doing it. Maybe it's the entry fee for survival in the business. The companies need to know that all other oil companies are also closing or modernizing their refineries to meet "current and expected reduced sales levels" (Amoco Annual Report).

HOW WILL GASOLINE BE SOLD IN THE FUTURE?

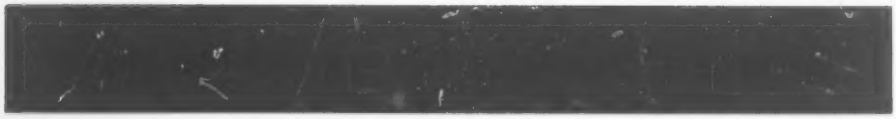
Some day most gasoline will be sold on a completely unattended basis. Payment will be made by either cash, debit, or credit cards, and the transactions will be handled entirely by machines.

ARE CAR CARE CENTERS NECESSARY TO SELL GASOLINE?

I don't think so. It may be a nice business, but it's another business than the marketing of gasoline. It's also a very difficult business. Why does it seem so important to the oil companies?

WHAT HAVE BEEN THE MAJOR DEVELOPMENTS IN GASOLINE MARKETING IN THE PAST YEAR?

There has been a lot of jerking around. It's hard to remember them all, and they all seemed so important and so significant at the time. Remember rebates, cash discounts, credit charges, declining volumes, weekly price increases of 1 cent a gallon, increased full serve/self-serve differentials, generic gasoline, increased oil company advertising, chinese gasoline, higher unit volumes, less units, increased vapor recovery costs. And, oh, didn't someone give away glasses again?



Each year we publish the *Dollars Per Day Survey of the Small Food Store Industry*. We believe this to be the most factually accurate information on this industry. The Thirteenth Annual Survey will be released in January, 1984, and can be ordered by using the order blank at the end of this report. The following information, along with other information on gasoline in convenience stores, will be included in this year's survey.

Dollars Per Day Information on Gasoline Operations in Small Food Stores

The ten chains in the survey sold 2,328,127,593 gallons of gasoline in 1982. The total national market for highway gasoline was 98.5 billions gallons in 1982. These 10 chains sold 2.36% of the gasoline sold in the United States through their 6,029 outlets.

C-type stores (includes traditional convenience stores, plus other food and gasoline combinations) sold 12.09% of the gasoline sold in the United States in 1982. We estimate that there are in excess of 50,000 convenience-type stores in the United States, and that 59% of them sell gasoline. On the average, they sell 1,101 gallons of gasoline per day per store. The number of C-type stores and the average gallonage of these stores is increasing each year. We estimate that in excess of 20% of the total gasoline in the United States will be sold through this type of unit in 1985. In 1976, only 1% of the total gasoline sold in the United States was sold through convenience stores.

During 1982, the chains in the survey opened an additional 480 gasoline units, even though there was only a net increase in total stores operated of 225. Gasoline represents over 33% of their total dollar sales. Gasoline margin represents about 15% of the total margin dollars developed by the combined gas and store units when the company owns and controls the unit and the pricing. It represents a far lower percentage of total margin in units that are still jobber-run and operate on a commission basis.

Year	# of C-Stores	% of C-Stores With Gasoline	# of Gas Units	Gallons Pumped per Unit Daily	Gallons Pumped per Unit Yearly	Total Gallons Pumped	Amount of Highway Gas Consumed—Billions of Gallons	% of National Market Supplied by C-Stores
1982	50,000	59.28%	29,641	1101	401,865	11,909,352	9.85	12.09%

We have changed our method of computing the percentage of the national market supplied by Convenience-type units this year. Southland's numbers heavily weight the *Dollars Per Day Survey*. Southland was a late entry into the gasoline business (they had only 75 units in 1970; just 2% of their stores had gasoline at that time), and today has a far lower percentage of gasoline units than the other chains in the survey. (39.5% of Southland's store units sold gasoline in 1982, versus 62.6% of the stores operated by the rest of the survey chains).

To compute a better estimate of the total percent of the national gasoline market supplied by C-type stores, we have adjusted the survey figures as follows:

Estimate of total of C-type stores	50,000
Less Southland's 14.3% of total C-type stores	− 7,165
C-type stores other than Southland's	42,835
Multiplied by the 62.6% having gas units	× .626
Gasoline units other than Southland's having gas units	26,814
Plus Southland's gasoline units (10.5% of industry total)	+ 2,827
Total C-type stores with gasoline units	29,641
Percentage of the total 50,000 C-type store units with gasoline	59.28%

Many of these units were developed from gasoline stations and by people with gasoline backgrounds. Units springing from these backgrounds typically develop higher gasoline gallonages per unit than those developed by the traditional convenience stores in the *Dollars Per Day Survey*. Our estimate of the percentage of the gasoline sold through C-type stores should be considered a base estimate. It is likely that the number of units, the amount of gasoline sold, and the percentage of the national market supplied by C-type stores is higher than the figures shown in this estimate.

In addition, while the number of traditional gasoline units declines each day, the number of C-type gasoline units increases each day. As traditional convenience store operators improve their daily gallonages to those of the gasoline background operators, there will be dramatic changes in the amount and percentage of the national market supplied by C-type gasoline units.

[redacted]

$DPD Profit Ranking		Dollar Sales
1	Shop & Go	85,840,00
2	Circle K	287,300,000
3	Southland	1,341,500,000
4	National Convenience	255,088,000
5	Lil' Champ	22,555,504
6	Li'l General	50,937,920
7	Mini Mart	9,698,992
8	Sunshine Jr.	77,266,330
9	Conna	170,126,000
10	Munford	379,320,000
	Total Gasoline Sales	2,679,632,746

Gasoline

Gasoline facilities continue to increase, both in number and as a percentage of store units in the survey. Here's a recap of their growth in the past ten years.

[redacted]

Survey Year	Number Of Stores	Number of Stores with Gas Units	Gas Units Added During Year	Percent of Stores With Gas
1974-Fourth Survey	9,258	1,964		21.21
1975-Fifth Survey	10,143	2,147	194	21.16
1976-Sixth Survey	11,356	2,786	557	24.53
1977-Seventh Survey	11,953	3,792	959	31.72
1978-Eighth Survey	12,597	4,584	792	36.38
1979-Ninth Survey	12,920	5,153	569	39.88
1980-Tenth Survey	13,167	5,630	447	42.76
1981-Eleventh Survey	12,445	5,533	442	44.45
1982-Twelfth Survey	12,400	5,799	393	46.76
1983-Thirteenth Survey	12,276	6,029	480	49.11

$DPD Profit Ranking	Company	Number of Stores	Number of Gasoline Units	Percent of Stores With Gasoline	Gasoline Units Added During Year	Stores Added During Year
1	Shop & Go	415	286	69%	18	10
2	Circle K	1,221	798	65%	18	10
3	Southland	7,165	2,827	39%	310	163
4	National Convenience	1,012	695	69%	110	90
5	Lil' Champ	170	82	48%	16	8
6	Li'l General	431	208	48%	0	-29
7	Mini Mart	110	41	37%	3	-4
8	Sunshine Jr.	358	322	90%	15	4
9	Conna	435	289	66%	-20	1
10	Munford	959	481	50%	10	-28
	Totals	12,276	6,029	49.1%	480	225

*Dillon sold to Kroger during the year, and has been dropped from the Survey this year. Their 12/17/82 figures were:

	Dillon	352	250	71%	0	3

[redacted]

Using the average of the ten chains in
the *Dollars per Day Survey* as the base

Year	# of C-Stores	% of Stores With Gas Pumps	# of Gas Units	Gallons Pumped per Unit	Total Gallons Pumped	Amount of Highway Gas Consumed Billions of Gallons	Percent of Nat'l Market Supplied by C-Stores	Increase	Percent of Increase Over Previous Year
1980	39,000	44.45%	17,160	359,890	6,175,712,000	101.2	6.10%		
1981	39,000	46.76%	18,330	379,600	6,958,068,000	99.6	6.99%	+0.89%	14.2%
1982	50,000	49.11%	24,555	401,865	9,865,663,000	98.5	10.01%	+3.02%	43.2%

[redacted]

Company	# of Gas Units	Number of Gallons Sold This Year	Gas Operating Days	Avg. Gallons Sold per Day per Gas Unit	Gas Margin per Day per Gas Unit	Gas Margin per Gallon	% of Sales Contributed by Gasoline
Shop & Go	286	74,000,000	107,380	689	$26.48	3.8 cents	33.9%
Circle K	798	255,200,000	287,976	886	N/A	N/A	38.4%
Southland	2,827	1,156,000,000	975,125	1,185	N/A	N/A	25.3%
Nat'l Convenience	695	231,600,000	233,545	991	61.48	6.2 cents	42.7%
Lil' Champ	82	19,444,448	26,936	722	24.45	3.4 cents	31.0%
Li'l General	208	43,912,960	75,712	580	N/A	N/A	29.9%
Mini Mart	41	8,361,280	14,416	580	N/A	N/A	21.8%
Sunshine Jr.	322	66,608,905	114,785	580	N/A	N/A	51.1%
Conna	289	146,000,000	105,196	1,387	N/A	N/A	39.4%
Munford	481	327,000,000	173,264	1,887	N/A	N/A	56.3%
Totals	6,029	2,328,127,593	2,114,335	1,101			

1. We estimated that Li'l General's gallons sold per day per gas unit were the same as Sunshine Jr. stores.

2. We estimated that Mini Mart's gallons sold per day per gas unit were the same as Sunshine Jr. stores.

3. Gasoline gallons sold was determined by dividing dollars of gasoline sold as reported in the annual report by Southland's average retail price of gasoline sold of 116.0 cents.

[redacted]

	Year Ended 04/02/81	Year Ended 04/01/82	Year Ended 03/31/83
Gross Margin From Gasoline Sales	$3,711,000	$3,643,000	$2,843,000
Number of Gasoline Units	265	268	286
Gasoline Operating Days	89,180	97,006	107,380
Gas Margin per Unit per Day	$41.61	$37.55	$26.48
Total Gallons Sold	42,000,000	49,000,000	74,000,000
Average Gallons Sold per Unit per Day	470	505	689
Average Gallons Sold per Unit per Month	14,100	15,150	20,670
Margin Received per Gallon Pumped	8.8 cents	7.4 cents	3.8 cents

[redacted]

	Year Ended 04/30/79	Year Ended 04/30/80	Year Ended 04/30/81	Year Ended 04/30/82	Year Ended 04/30/83
Total Gasoline Sales	$108,400,000	$151,900,000	$227,100,000	$283,400,000	$287,300,000
Total Gallons Sold	155,900,000	154,200,000	192,500,000	230,700,000	255,200,000
Number of Gas Units	677	726	753	780	798
Gas Operating Days	240,700	256,749	269,904	279,759	287,976
Average Price at Retail per Gallon Sold	69.5 cents	98.5 cents	117.9 cents	122.8 cents	112.6 cents
Average Gallons Sold per Unit per Day	648	600	713	824	886
Average Gallons Sold per Unit per Month	19,710	18,300	21,687	25,063	26,580

[redacted]

Assuming 255,200,000 gallons sold per year

Margin Per Gallon	Total Gas Margin	Margin per Unit per Day at 886 Gallons Sold
10 Cents	$25,520,000	$88.60
9	22,968,000	79.74
8	20,416,000	70.88
7	17,864,000	62.02
6	15,312,000	53.16
5	12,760,000	44.30
4	10,208,000	35.44
3	7,656,000	26.58
2	5,104,000	17.72
1	2,552,000	8.86

The Annual Report states:

> The 1980 gasoline margin per gallon ranged from a high of 14.2 cents to a low of 11.1 cents.
> The 1981 gasoline margin per gallon ranged from a high of 12.4 cents to a low of 6.5 cents.
> The 1982 gasoline margin per gallon ranged from a high of 8.9 cents to a low of 4.7 cents.

Net profits from gasoline were 24.4% of store pretax profits, or $4,997,852. This is 1.9 cents per gallon sold. It is $17.35 dollars per day for every gas operating day. It is $11.26 dollars per day for total store operating days.

[redacted]

	Year Ended 12/31/78	Year Ended 12/31/79	Year Ended 12/31/80	Year Ended 12/31/81	Year Ended 12/31/82
Total Gasoline Sales	$354,500,000	$569,300,000	$912,900,000	$1,195,400,000	$1,341,500,000
Total Gallons Sold	616,200,000	675,500,000	792,900,000	956,000,000	1,156,000,000
Number of Gas Units	1,857	2,107	2,246	2,517	2,827
Gas Operating Days	625,833	723,305	796,599	869,112	975,125
Average Price at Retail per Gallon Sold	57.5 cents	84.3 cents	115.1 cents	125.0 cents	116.0 cents
Average Gallons Sold per Unit per Day	984	933	995	1,100	1,185
Average Gallons Sold per Unit per Month	29,930	28,378	30,347	33,458	35,550

[redacted]

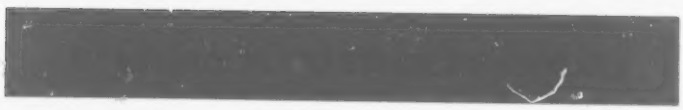
Assuming 1,156,000,000 gallons sold per year

Margin Per Gallon	Total Gas Margin	Margin per Unit per Day at 1,185 Gallons Sold
10 Cents	$115,600,000	$118.50
9	104,040,000	106.65
8	92,480,000	94.80
7	80,920,000	82.95
6	69,360,000	71.10
5	57,800,000	59.25
4	46,240,000	47.40
3	34,680,000	35.55
2	23,120,000	23.70
1	11,560,000	11.85

[redacted]

	Year Ended 06/30/79	Year Ended 06/30/80	Year Ended 06/30/81	Year Ended 06/30/82	Year Ended 06/30/83
Total Gasoline Sales	$72,600,000	$127,500,000	$178,300,000	$255,470,000	$255,088,000*
Total Gallons Sold	114,500,000	155,500,000	182,200,000	216,500,000	231,600,000
Number of Gas Units	418	446	478	585	695
Gas Operating Days	135,917	157,666	168,168	193,944	233,545
Average Gallons Sold per Unit per Day	842	986	1,083	1,116	991
Average Gallons Sold per Unit per Month	25,610	29,990	32,941	33,945	29,730
Margin per Gallon Sold	5.8 cents	8.7 cents	7.2 cents	7.3 cents	6.2 cents
Total Gas Margin	$8,244,000	$13,528,500	$13,118,400	$15,804,500	$14,359,200
Gas Margin per Unit per Day	$60.65	$85.80	$78.00	$81.47	$61.48

* 44,300,000 gallons of gasoline were sold on a commission-only basis. We have increased the NCS gasoline sales as shown in the report at the rate of 116.0 cents per gallon, or $51,388,000, to arrive at total gasoline dollar sales.



Commission Operated Units: 33 units—12,012 gasoline operating days.

The Annual Report states that gasoline commission is 14% of other income, or $155,820, for these 33 units.

If we assume that the gas commission is 2 cents per gallon sold, Lil' Champ pumped 7,791,000 from these units, or 649 gallons per gas operating day.

Total actual gasoline margin in commission operated gasoline units was $155,820, or $12.97 per gasoline operating day.

Company Owned Gasoline Units: 49 units—16 new units in the year—14,924 gasoline operating days.

The Annual Report states that gasoline sales were $13,518,000. If we assume the average selling price was $116.0 cents a gallon, Lil' Champ sold 11,653,448 gallons, or 781 gallons per gasoline operating day.

The Annual Report also states that the margin on gasoline sales was 3.72%. On the assumed retail average price of $116.0 cents, the average gross profit per gallon sold was 4.39 cents. Total actual gasoline margin dollars in company owned units was $502,869, or $33.69 per gasoline operating day.

Based on the above assumptions, Lil' Champ's total gasoline sales and margins are:

Total Gallons Sold	19,444,448
Average Gallons per Day	722
Average Margin Cents per Gallon Sold	3.38 cents
Total Gasoline Margin	$658,689
Average Gasoline Margin Per Gasoline Operating Day	$24.45

	1980	1981	Increase	1982	Increase
Gasoline Units	5,406	5,799	+393	6,029	+480*
Gallons Sold	1,879,110,571	2,112,975,731	+233,865,160	2,328,127,593	+215,151,862
Percent of Total U.S. Highway Gallons Used	1.86%	2.12%	+.26%	2.36%	+.24%
Average Gallonage per Gas Unit per Day	986	1,040	+54	1,101	+61
Gasoline as a Percent of Total Sales	30.8%	32.10%	+1.3%		
Average Retail Price in Cents per Gallon	114.1	123.1	+9.0	115.0	− 8.1

* Note Dillon deletion.

Dollars per Day Survey

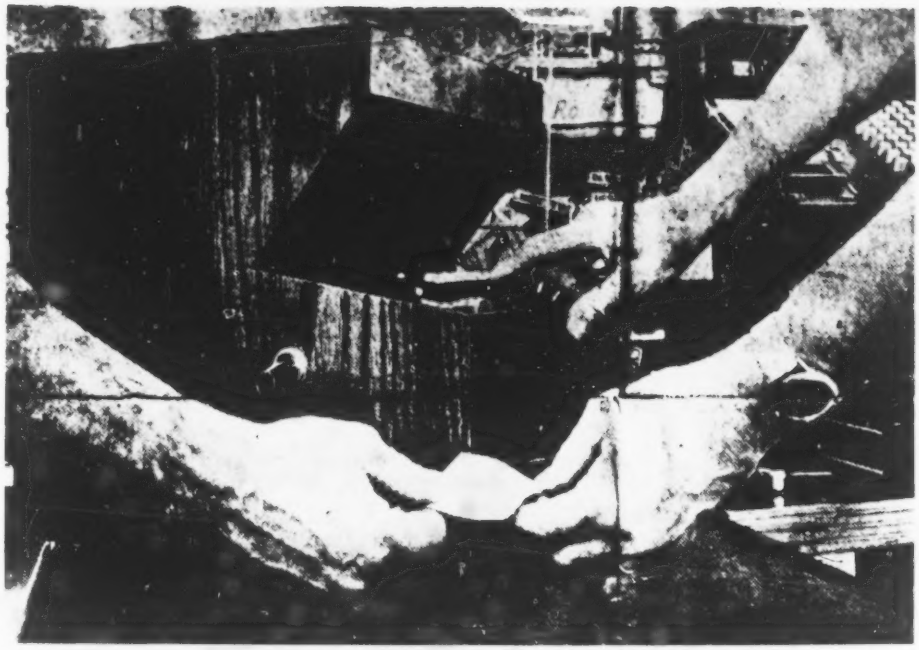
We will publish the *Thirteenth Annual Dollars per Day Survey of the Small Food Store Industry* in January, 1984. If you are in the gasoline business, you will find this information pertinent and interesting. To order a copy, fill out the order form at the end of this report.

Self-service remote controlled dispensing of gasoline began at 4:00 P.M., June 10, 1964. The first gallon was sold to the operator of a motor scooter at the Big Top store at 7398 N. Federal Boulevard in Westminister, Colorado.

The concept and the gasoline console were developed by Herb Timms of Denver, Colorado, in collaboration with his father. I obtained the marketing rights for the Supertron System for Convenience Stores, and formed a company to market the system to chains throughout the country. In November, 1964, I gave a talk at the annual convention of the National Association of Convenience Stores in Disneyland on combining gasoline sales with convenience stores. I also had a hospitality room to demonstrate the gasoline console. There was almost no interest in selling gasoline through stores at that time.

The first unit east of the Mississippi was opened in September, 1964, in a store operated by Li'l General in Pensacola, Florida. In 1965, we opened the first California unit at a Shortstop store in Clovis, California.

Over the next several years, other people developed competing consoles. Though individual units were almost always successful, operator acceptance was slow and the number of units grew slowly. In 1976, Dan Lundberg estimated that 1% of the gasoline sold in the United States was sold through remote dispensing in convenience store outlets.



BIG TOP CASHIER PUNCHES OUT REMOTE CONTROL GASOLINE ORDER.

Self-Service System Enters Gasoline Market at Big Top

The do-it-yourself-and-save concept of merchandising has spread to the retail gasoline field.

The first installation of a new remote control, self-service gasoline pump complex is in operation at the Big Top, Inc., chain's store at 7498 N. Federal Blvd. in Westminster.

John Roscoe, Big Top president, says his first three pumps are dispensing an average of 4,500 gallons per week with no increase in the cost of operation of the 2,000-item food and variety store.

A remote control device patented by Herbert Timms of 2482 W. 2nd Ave., and his son, Ross L. Timms, is key to the new "Supertron System."

A customer pulls his automobile up to one of the three tanks just outside the Big Top door, walks in to make whatever other purchases he needs and steps to the cash register.

After the other purchases are checked out the customer announces he wants some gasoline. The remote control machine, located immediately beside the regular cash register, can dispense any amount of either regular or premium gasoline from 25 cents to $6.75 at the push of two buttons.

Back at his car, receipt in hand, the customer loads his other purchases into the car, takes off the gasoline tank cap, lifts the hose from the proper pump and out comes exactly as much gasoline as he has paid for.

"This will create a revolution in the gasoline business," says Roscoe. "We can sell regular at four cents under the going rate and ethyl at up to six cents off because we have no overhead."

Supertron receives its fuel from a major producer in bulk lots.

The Supertron installation offers only gasoline and only by remote control from the machine inside the main building.

There is no attendant to wipe off the windshield or check the oil and battery.

"That's for the garages, auto agency service departments and regular full service gasoline station," says Roscoe. "We simply sell gasoline by remote control on a do-it-yourself basis, and people interested in saving money between car washes and oil changes are flocking to us."

Both Timms and Roscoe believe the new concept will "sweep the country."

Roscoe says all Big Top stores, open from 7 a.m. to 11 p.m. daily, will install Supertron and he has taken on the job of sales agent for the new company.

THE SUNDAY DENVER POST
July 19, 1964
89

BEST AVAILABLE COPY

New Remote Control Self-Service Gasoline Pump

A new remote control self - service gasoline pump is now on the market for grocery and convenience stores.

Under such a do-it-yourself system, the customer simply parks his car beside the gasoline pump, walks inside the store and pays the clerk for the amount of gasoline desired. Then he walks back to his car, places the pump handle into his car tank and the exact amount of gasoline is released.

Remote controlled pumps give customers price break on gasoline purchase.

Sales agent for convenience stores of the country is Gasoline Systems, Inc., 216 Clayton Street, Denver, headed by John Roscoe who founded the Big Top Stores of Denver.

"This will create a revolution in the gasoline business," says Roscoe. "We can sell gasoline regular at four cents under the going rate and ethel gasoline at six cents bebcause there is no overhead. We are not price cutters, but simply pass the savings to the customer."

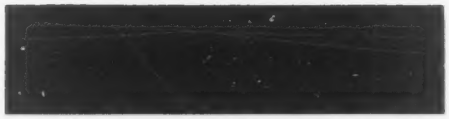
Roscoe installed the first three pumps at one of his Big Top Stores and they are dispensing an average of 4,500 gallons per week. This was done with no increase in overhead for the store and with no advertising or promotion except word-of-mouth.

The remote control devise was patented by Ross Timms and his son, Herbert Timms, under the brand name "Supertron". Supertron buys its fuel from major gasoline producers in bulk lots.

The Supertron installation offers only gasoline and only by remote control form the machine at the cash register.

There's no wiping of windshields of checking of tires or batteries.

"That's for garages and regular service stations," said Roscoe. "We simply sell gasoline by remote control on a do-it-yourself basis."



This report was researched, written, and published by John, Ned, and Sally Roscoe, along with Lise Vernasco.

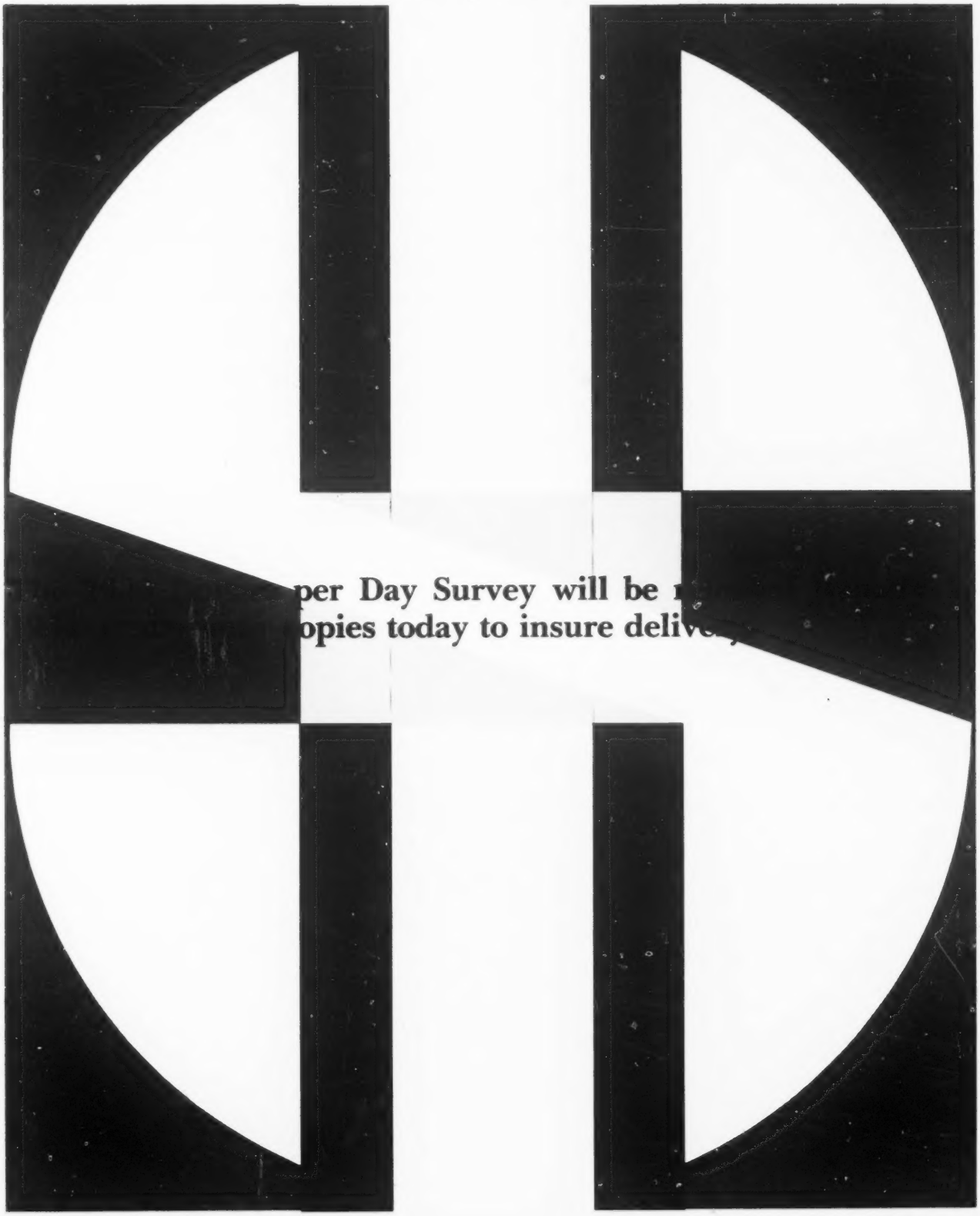
John Roscoe entered the gasoline business in 1964 when he installed the first remote-controlled self service gasoline dispensing system at one of his food stores in Colorado. His present company now operates 130 food and gasoline units in 3 western states. John is an oil and gas investor and a stockholder in many oil companies. In addition to *What Do the 25 Largest Oil Companies Have to Say About Gasoline Marketing?*, he writes and publishes the *Annual Dollars Per Day Survey* for the small food store industry. The *13th Annual Dollars Per Day Survey* will be released in January of 1984.

Ned Roscoe is the President of Fred's Food and Deli, a new food and gasoline retailing concept operating in California.

Sally Roscoe is a Senior at the University of Southern California in Los Angeles. She will graduate in May 1984 and is looking for a challenging position.

Lise Vernasco designed the cover of this report. She operates a design and production facility, the Wildside, and is primarily concerned with point of purchase graphics for use in product sales and store decor. She does freelance design and production jobs and can be reached at (707) 745-6691.

1984-THE THIRTEENTH ANNUAL DOLLARS PER DAY SURVEY OF THE SMALL FOOD STORE INDUSTRY



Additional copies of this report can be obtained by writing to: What Do the 25 Largest Oil Companies Have to Say About Gasoline Marketing in 1983?, 1765 Park Road, Benicia, California 94510. Cost of the survey is $50.00 (U.S. dollars). Additional copies are $20.00 each.

Send to:
GASOLINE MARKETING SURVEY
1765 Park Road
Benicia, CA 94510

Enclosed is my check for $ ____. Please ship ____ copies of What Do the 25 Largest Oil Companies Have to Say About Gasoline Marketing in 1983?
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To order by phone, call 707-745-6691.

Copies of the 1982 survey are available for $20.00 each.

Send to:
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1765 Park Road
Benicia, CA 94510

Enclosed is my check for $ _____. Please ship ____ copies of the 1984 DOLLARS PER DAY SURVEY to me when it is released in January 1984.

To:
NAME _____
COMPANY _____
STREET ADDRESS _____
CITY AND STATE _____ ZIP _____

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